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Containing the Yeltsin Fallout
Reforms Go 'Consensus-Speed' Ahead, Soviets Say

By Jim Hoagland
Washington Post Service

BERLIN — Mikhail S. Gorbachev is moving to limit the damage to his program of radical change in Soviet society caused by the controversy surrounding the public dismissal of Boris N. Yeltsin and will pursue his campaign for reform despite the opposition that has surfaced, Soviet intellectuals have indicated to Western experts here.

Their willingness to make these assessments of the recent political turmoil in Moscow in comments to Americans and Europeans during a discussion meeting suggested that they had concluded on their own that Mr. Gorbachev's programs of reforms were not seriously endangered by hard-line opposition and that it was politically viable to continue to support those programs.

But the Soviets acknowledged indirectly that Mr. Gorbachev and his supporters were now likely to move at a more cautious pace while the leadership sorts out the strong feelings unleashed by the Yeltsin case. The controversy, they suggested, centered on the speed and scope of economic restructuring, or *perestroika*, and of the campaign for more openness in government affairs, or *glasnost*.

"In any effort like this, there can be steps backward as well as forward," Valentin Berezhkov, editor in chief of USA magazine, said. "There is no full guarantee that it moves ahead all the time." Added Stanislav M. Menshikov, an economist and editorial consultant to the World Marxist Review: "The important thing is that we are still moving. We are proceeding on a consensus speed."

"Despite a setback, the general tendency toward more glasnost is irreversible," said Andrei V. Kortunov, an official of the USA-Canada Institute. "The rise in the Soviet educational level makes it more difficult to deprive a society of information and is an additional guarantee against retreat. A society that has computers and other advanced information equipment demands glasnost."

The three Soviet participants agreed that remarks they originally made to a closed meeting of about 30 scholars, government officials and journalists at the Aspen Institute of Berlin could be quoted. The conference ended Sunday.

They stressed their view that Mr. Yeltsin's dismissal from his post as leader of the Moscow city Communist Party had been caused by an emotional outburst at an Oct. 21 meeting of the Soviet Communist Party's Central Committee and was not part of a power struggle over reform.

"Soviet intellectuals have their fingers crossed that this is only a specific matter involving Yeltsin and that it won't have a damaging effect on Gorbachev and his programs," said Robert Legvold, director of Columbia University's Harriman Institute of Soviet studies.

Mr. Gorbachev led the denunciations of Mr. Yeltsin for "political immaturity" at the Nov. 11 meeting that ousted him from his Moscow job. The abusive denunciations of the man who had been considered to be one of the most outspoken advocates of change in the Soviet Union were published in

See GLASNOST, Page 5

Alex Bowie/The Associated Press

Rubén Zamora receives Holy Communion from Archbishop Arturo Rivera y Damas in San Salvador on Sunday.

Salvadoran Ends Exile To Lead 'Great Crusade'

By William Branigin
Washington Post Service

SAN SALVADOR — In a major test of political freedoms under President José Napoleón Duarte, a political leader allied to the Marxist-led rebels in El Salvador has ended seven years of exile to start what he called a "great crusade" for democracy.

Rubén Zamora, vice president of the Democratic Revolutionary Front, arrived here Saturday on a commercial airliner from Mexico and was met by about 800 supporters.

"We are going to build a democracy where problems are solved through dialogue and discussion and no longer through threats and death squads," he told the crowd. He then took up a Salvadoran flag and kissed it, saying, "This is the only amnesty I accept."

The act symbolized his rejection of a government amnesty and was apparently meant to recall a White House ceremony last month in which Mr. Duarte aroused intense leftist criticism by kissing the American flag. The Salvadoran government has said that returning exiles such as Mr. Zamora are cov-

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Shultz Offers Inspection Of Missiles

By Don Oberdorfer
Washington Post Service

SHANNON, Ireland — Secretary of State George P. Shultz said Sunday that he will offer the Soviet Union on-site inspection rights at a U.S. missile facility in an effort to nail down this week an arms control treaty to be signed at next month's summit meeting in Washington.

Mr. Shultz spoke to reporters en route to Geneva, where he will hold wrap-up meetings with the Soviet foreign minister, Eduard A. Shevardnadze, on Monday and Tuesday. He said that negotiators on both sides appear to have the intention and the authority to resolve issues that are blocking completion of the intermediate-range nuclear forces treaty.

"We expect and they expect to have the treaty concluded so it can be signed at the summit meeting," scheduled to begin Dec. 7, Mr. Shultz said. "That's an essential ingredient, and we'll finish it."

[Mr. Shevardnadze arrived in Geneva on Sunday and said that he expects talks with Mr. Shultz to resolve sensitive differences on a treaty, Agence France-Presse reported.]

Mr. Shultz and members of his high-ranking delegation were heartened by the promised presence among the Soviet delegation of Marshal Sergei F. Akhromeyev, chief of staff of the Soviet armed forces and a figure of great authority. The U.S. representatives in-

See SHULTZ, Page 5

Remembrance

Prime Minister Margaret Thatcher at a service on Sunday at the war memorial in Enniskillen, Northern Ireland, where an IRA bomb killed 11 persons two weeks ago. Monday Q&A, Page 2.

The Associated Press

Congress Chiefs Predict Passage Of Deficit Plan
Wright Sees Republican Votes as Key

By Fred Farris
International Herald Tribune

WASHINGTON — U.S. congressional leaders cautiously predicted Sunday that the two-year, $76 billion agreement to cut the federal budget deficit would be approved by Congress.

The speaker of the House of Representatives, Jim Wright, conditioned his prediction on President Ronald Reagan's ability to persuade Republicans to back the negotiated plan, which was agreed to on Friday, a month after the collapse of stock prices in New York and other world financial centers. The collapse was attributed in part to continued high U.S. budget deficits.

"It's far better than doing nothing," Mr. Wright, a Texan who is the most powerful Democrat in the House, said on an NBC-TV interview program. "It's a compromise. Nobody got everything they wanted. President Reagan didn't want to have $9 billion in new revenues, or a cut in military spending." He added that "each of us gave up something."

The Dow Jones Industrial Average rose 18.24 points late Friday after Mr. Reagan announced that White House and congressional negotiators had completed work on an agreement that would cut the federal deficit this fiscal year by about $30 billion and by $46 billion next fiscal year.

But the compromise agreement has not pleased everyone, as Mr. Wright and other figures in Congress made clear on Sunday.

Mr. Wright said that he expected to gather enough Democratic support for the plan but that it had to have Republican backing to win passage in Congress.

"It will have to have votes on both sides of the aisle," he said. "We probably cannot pass it all by ourselves. I believe I can produce a majority, or will produce a majority of Democratic votes for it in the House. But it is going to have to have some support on the Republican side as well."

Pressed on the plan's chances, Mr. Wright said, "That is probably dependent upon the degree of support that it gets from the president and his political party."

With that support, he said, the pact would "absolutely" pass.

If Congress cannot complete approval of the spending cuts and tax increases within 10 working days, the Gramm-Rudman law mandating $23 billion in across-the-board spending cuts will automatically prevail.

Some Republicans, complaining that the accord would cut too much from the military and raise taxes too much, have already said they might prefer the automatic cuts.

Senator Phil Gramm, Republican of Texas, appearing on a CBS-TV program, said he was not pleased with the agreement but believed it would win Senate approval. He was an author of the Gramm-Rudman law.

The House Republican leader, Representative Robert H. Michel, said that persuading Republicans to support the accord would be difficult because they have so far balked at moving tax-increase bills forward in Congress.

Republicans have complained that by endorsing the plan, Mr.

See BUDGET, Page 5

Amid Relief, a Dismay That Overspending Drags On

By Carl Gewirtz
International Herald Tribune

PARIS — The agreement to cut the U.S. budget deficit by $76 billion over two years drew split reviews over the weekend: raves from government officials around the world that the deadline had been met, but dismay from private analysts that the fundamental problem had not been solved.

The news is not expected to impress the foreign exchange market, where the dollar has dropped about 6.8 percent against the Deutsche mark and 5.4 percent against the yen since the crisis of confidence about U.S. economic policy erupted in mid-October.

"When the reality sinks in that Washington has not really dealt with the problem, the foreign exchange market will go back to its same old worries," said Lawrence Brainard, chief economist at Bankers Trust Co. in New York. "Whether that takes two hours or two weeks is anybody's guess."

The chief trader of a major New York bank, asking not to be identified, said he expected "a mildly positive reaction in the foreign exchange markets, maybe for a day."

"And then it's over," he said, "as the market returns to facing the reality that the dollar has to come down further."

West Germany, Japan, France and Britain voiced relief at the budget accord. Prime Minister Jacques Chirac of France said Sunday that it was "very positive and likely to return calm to the currency world." Prime Minister Margaret Thatcher of Britain, in Paris for talks with Mr. Chirac, said that countries with surpluses — meaning Japan and West Germany — should now work on measures to boost growth.

Nigel Lawson, her chancellor of the Exchequer, said he expected a "better tone in the stock markets" on Monday, but no dramatic reaction.

Other government officials, speaking privately, and market analysts did agree on one major positive aspect of the agreement: It provides the West German government with a face-saving excuse to yield to mounting domestic and international pressure and adopt a more stimulative economic policy.

Bonn's intransigence to temporarily widening its own budget deficit already had appeared to be softening in recent days. Its resistance had been considered a major stumbling block to improving the growth prospects of Western Europe and, thereby, increasing U.S. exports to reduce Washington's huge trade deficit.

The U.S. budget and trade deficits, both regarded as unsustainably high and potentially disruptive to world financial markets, are viewed as interrelated. The budget deficit is seen as fueling domestic demand, thereby keeping the trade deficit from improving.

Although West Germany's commitment to increasing its domestic demand and Japan's commitment to maintaining the level already achieved are considered essential ingredients to improving the global economic outlook, analysts remain distressed by the size of the U.S. budget deficit.

"An incredible sort of algebraic trick is being played on the world," said Stephen Marris, an economist at the Institute for International Economics in Washington, referring to talk of $76 billion in cuts.

"That's not a reduction from last year's deficit of around $148 billion," he said, "but a reduction from two years of rising budget deficits" that had been projected in the current fiscal year and next.

According to the Congressional Budget Office, the deficit had been projected to amount to $183 billion in the current fiscal year ending Sept. 30, 1988, and to $192 billion the following year.

"The hard cuts — the real cuts, not including asset sales or accounting tricks — this year amount to $23.8 billion. That leaves a deficit this year of $159 billion," Mr. Marris said.

"The hard cuts in the second year, $40.7 billion, leave the deficit at $151 billion — which means the deficit in each of the next two years will be larger than it was last year."

Nor was Mr. Marris impressed

See REACTION, Page 15

Kiosk

Egypt Indicts 15 For Subversion

CAIRO (UPI) — The government on Sunday ordered 15 men to stand trial on charges of collaborating with Libya in carrying out subversive acts.

The suspects, eight of whom are still at large, received training in Libya and with a guerrilla group in Lebanon, exploded a bomb outside a U.S.-Egyptian bank, attempted to bomb other Western companies, and tried to assassinate the Israeli ambassador, an indictment said.

AP

Steffi Graf beat Gabriela Sabatini in the Virginia Slims finals on Sunday. Page 17.

GENERAL NEWS

■ The U.S. space-defense plan faces delays after Congress held down its budget. Page 3.

SPORTS

■ Oklahoma defeated Nebraska, 17-7, and earned a berth in the Orange Bowl on Jan. 1 against Miami. Page 17.

BUSINESS/FINANCE

■ Britain's economy will grow by 2 percent next year, a business group forecast. Page 13.

Special Today

Upheaval challenges essence of the Euromarkets. Pages 7-11.

Cubans Hold 28 Guards at U.S. Prison

Reuters

OAKDALE, Louisiana — Hundreds of Cuban refugee detainees held 28 guards hostage and burned prison buildings Sunday to protest an agreement with Cuba to send them home.

A police spokesman said 13 guards and six prisoners had been injured since the protest began Saturday night at the minimum-security federal detention center here. He said the prisoners were armed with clubs and axes.

The riot began a day after President Fidel Castro of Cuba agreed to take back about 2,500 refugees who Washington says were criminals or were mentally ill when Mr. Castro let them emigrate seven years ago as part of a boatlift from the Cuban port of Mariel. The detention center houses 976 Cubans.

In another incident, 16 Cubans escaped from a detention center in Texas. Ten were quickly recaptured but six remained at large, the police said. The authorities at the Webb County Detention Center in Laredo, Texas, said the 16 who escaped were among 77 Cubans held at the facility and due to be repatriated.

Nicaragua frees nearly 1,000 under peace plan. Page 5.

■ **Terms of Accord**

Earlier, John M. Goshko of The Washington Post reported from Washington:

The United States and Cuba are reactivating the 1984 migration agreement that called for Cuba to take back more than 2,500 "undesirables" who came to Florida in the 1980 boatlift and for the United States to accept more than 20,000

See RIOT, Page 5

A wholesaler and laborer working amid hanging beef inside London's antiquated Smithfield Market.

A London Market Tests the Limits of Grade-A Grime

By Warren Getler
International Herald Tribune

LONDON — Smithfield Market, a sprawling Victorian structure that has served as the main wholesale meat market here since the mid-19th century, faces a stark choice: become squeaky clean or risk demise.

For years, the British Department of Health and Social Security has warned that hygiene standards at the market, which sells some 150,000 tons of beef and poultry each year, are substandard. Indeed, little has changed at Smithfield over the market's 120 years in operation.

The list of problems is long: insufficient cold storage, no drainage system and nothing to prevent pigeons and other flying creatures from roosting above the thousands of carcasses displayed on the racks each day.

Britain's largest meat market, a colorful anachronism near St. Paul's Cathedral on the edge of the financial district, has never been immune to criticism. In the 1860s, Charles Dickens actively campaigned for reform of the city's meat markets, particularly Smithfield, which was then no more than an array of pens holding livestock in open fields. In "Oliver Twist," he paints a bleak portrait of that earlier Smithfield through the eyes of his young protagonist, Oliver:

"The ground was covered nearly ankle deep with filth and mire; the crowding, pushing, beating, whooping and yelling, the hideous and discordant din rendered it a stunning and bewildering scene which quite confounded the senses."

While the current structure has come a long way from the open "Smooth fields" of cattle trading that preceded the present site by some 1000 years, nobody is satisfied.

Although to a visitor the market might seem relatively sanitary, Peter Andrade, a stout, fourth-generation Smithfield wholesaler, called the hygiene there "disgraceful."

"Just look, we've got sawdust and meat droppings on the floor," he said. "We've no choice but to come up to European Community standards, which means having stalls capable of being completely air-sealed, with walls that can be hosed down from top to bottom."

The roof, which is graced by four ornate cupolas and which stretches the length of two football fields, leaks and will cost nearly £3 million ($5.3 million) to repair.

Peter Martenelli, whose meat trading days at Smithfield date from 1953, added: "Because of health regulations, the market simply wouldn't be allowed to continue in its present form for more than three years."

Today, beyond problems of hygiene and maintenance, the market — the outlet for about five percent of the United Kingdom's total meat consumption — is hampered by decades-old labor arrangements, according to wholesalers.

The market provides direct employment for some 1,500 blue-collar workers, about half of whom are unionized. These are rigidly divided among "pullers-back," who unload carcasses from trucks; "pitchers," who take them to trading stalls; and "bummarees," who wheel purchased items to waiting retail trucks.

For Smithfield to remain competitive, the wholesalers argue, a retailer must be permitted to carry away his purchases on his own rather than be forced to pay one of

See MARKET, Page 5

Anti-Refugee Fervor Aids Rightists

By James M. Markham
New York Times Service

PARIS — Exploiting mounting resentment over refugees and workers from Third World nations, small rightist parties have cropped up across the northern tier of Western Europe demanding the expulsion of foreigners who are said to be taking jobs from Europeans.

The biggest single anti-immigrant party, the National Front, has taken root in France. Similar organizations have surfaced in Belgium, West Germany, Denmark, Norway, Sweden and Switzerland, which have absorbed large numbers of workers and refugees seeking political asylum from Arab nations, Iran and Turkey.

Positioning themselves on the far right of the political spectrum, these parties have generally made only marginal inroads in national and municipal elections. But by taking extreme stands on the volatile immigration issue, they have succeeded in shocking mainstream parties into adopting harsh measures to check the influx of refugees and people seeking asylum.

"It's not the parties themselves that are important," said Han Entzinger, an adviser to the Dutch government on immigrant issues, "but the effect they have on parties that are more moderate."

He added, "But when millions of immigrants are living here already, the question is not closing the door, but how many more are we going to let in and whether we are going to leave them living at the margins of society."

With unemployment remaining stubbornly high in Western Europe, resentment toward Third World immigrants has sharpened. They are often blamed for big-city

See RIGHT, Page 5

Under British-Irish Agreement, 'Quite a Lot' Has Been Done

As leader of the Social Democratic and Labor Party, John Hume speaks for moderate Catholic opinion in Northern Ireland, where tensions have been heightened by the Irish Republican Army bombing at an armistice ceremony at Enniskillen this month. A member of the British House of Commons and the European Parliament in Strasbourg, Mr. Hume spoke to Barry James, of the IHT staff.

Q. As a result of the Enniskillen bombing, would you expect that the Irish government will ratify an extradition treaty so that IRA suspects can be handed over for trial in Northern Ireland?

A. There is a mistaken impression that there is a hiding place in the Republic of Ireland for people who commit acts like this. This is simply not so. What is at issue is not a major change or development in extradition law, but a symbolic political statement and I am hopeful and confident that the difficulties between the two governments in coming to terms with that will be overcome.

Q. At the heart of Dublin's reluctance so far to concede agreement on extradition is its dislike of the no-jury, one-judge courts in Northern Ireland. Is this concern justified?

A. We accept the British government's view that in the present atmosphere, with deep community prejudice allied to intimidation, jury trials don't guarantee a very high quality of justice. But we argue that the full responsibility of trials of this nature shouldn't be left to one person, no matter how eminent that person may be, and that is why we have proposed three-judge courts, as in the Irish Republic. The British government agrees there is a problem about the administration of justice, so what is its proposal for dealing with the problem it acknowledges to exist?

MONDAY Q&A

Q. Is the Anglo-Irish Agreement, now two years old, working?

A. Quite a lot of things have been done. The supergrass trials [based on evidence from informers] have gone, remand has been speeded up, the flags and emblems legislation [banning display of republican insignia] has gone. There's a much more balanced approach to provocative parades. The very offensive high-rise apartment buildings in Catholic ghetto areas have been knocked down. There's been an improvement in the building situation. These are all reforms that we have been seeking for a long time.

Q. How would you define the underlying problems?

A. Political development in Northern Ireland has been paralyzed for most of this century, largely because the Unionist population or its political leadership decided the way to protect the integrity of their tradition was to hold all power in their own hands and live apart. So instead of creating a normal democratic society, they maintained an oligarchy based on sectarian solidarity. Every time the British government moved to break that and produce a more fair and democratic situation, their response was to threaten all sorts of dire consequences with the result that the British government always backed down. The net effect of that has been to confirm leadership in the unionist community in uncompromising hands, and to give justification to those in the nationalist community who argue that the only thing the British understand is force. Now we have a British government that has stood firm against those threats and this is now creating a political fluidity which makes dialogue much more possible.

Q. Protestants have complained the Anglo-Irish Agreement does nothing to improve security. Doesn't Enniskillen bear them out?

A. I wouldn't think so. There is no better way of dealing with security problems than that the two sovereign governments backed by the two parliaments work in the closest possible cooperation. For the first time the problem is being dealt with in its proper context. The Irish problem isn't about relations between Catholic and Protestant, that's part of it. It's about relations within Ireland. It's about relations between Britain and Ireland. Therefore, if the British-Irish framework is the framework of the problem, it must also be the framework of the solution.

Q. Has the Enniskillen bombing changed the political climate?

A. It has caused deep, deep revulsion in all sections of the community and has led to unprecedented condemnation of the activities of the IRA.

Q. Is there really any prospect of unity, ever?

A. We have said that the Anglo-Irish Agreement is not in itself a solution to the problem. It's a framework in which the healing process can take place. We have set out the three stages of that process, the first being the creation of equal treatment for all people who live in Northern Ireland. There has been substantial progress in that. The second and most difficult stage, which I believe we are now at, is the stage of reconciliation, breaking down barriers of prejudice. The only way to do that is to spill our sweat together rather than our blood to build the place. By doing that over generations, a third stage will evolve, which is completely new relations within Ireland and between Ireland and Britain.

Rioters Said to Kill 2 in Romania Militia

Agence France-Presse

VIENNA — At least two militiamen were killed Nov. 15 when thousands of workers rioted in Brasov, Romania's second-largest city, Western witnesses said Sunday in Vienna.

Police used tear gas and the city was "besieged" by army troops, the witnesses said. They said many people had been arrested.

Demonstrators cut the throat of a militiaman guarding the town hall and beat to death another inside the building, the West German weekly Bild am Sonntag said.

■ Debt Policies Stir Anger

Earlier, John Tagliabue of the New York Times reported from Bucharest:

It was the first major industrial violence since coal miners went on strike 10 years ago, and the first ripple of discontent over drastic national policies designed to boost productivity and eliminate almost all Romanian foreign debt by 1990.

A Romanian familiar with the events said the workers marched on city hall from factories where they had gathered to vote in local elections. They were protesting a decision by party officials to enforce laws mandating pay cuts for unfulfilled production quotas.

The big tractor and truck works in Brasov, roughly 100 miles (162 kilometers) north of Bucharest, were 20 percent under quota in October, and wages were to be cut by an equivalent amount.

Romanian newspapers ignored the riots, but there were reports that food supplies had been increased.

Diplomats blamed the production shortfalls on the kind of mismanagement and shortages that have created a national energy crisis for the third consecutive year.

This month, the government ordered a 30 percent cut in energy use in homes and "nonproductive industries," a term Romanians said evidently applied to institutions such as schools and hospitals.

The effects are visible everywhere in barely heated and poorly lighted homes and public places. Street lights burn only on major thoroughfares. Television is restricted to two hours in the evening. Audiences bundle in scarves and overcoats in unheated theaters, and musicians wear fingerless gloves.

The shortages arise from the resolve of President Nicolae Ceausescu to repay all of the country's foreign debt, accumulated by costly and uneconomical industrial investments during his early years in power. Since 1981, Romania has more than halved its debt, to about $5.5 billion.

To do so, it has run up six consecutive annual trade surpluses, including $2 billion in 1986. Romanian economists have given much of the credit to timely investment in the production of high-priced manufactured goods such as electronic components, fine mechanical products and computer-driven machinery.

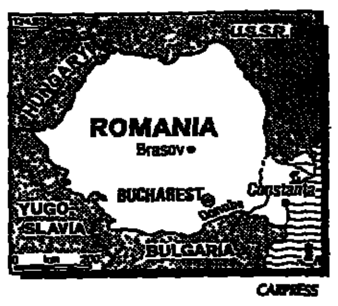
But trade statistics show that much of last year's surplus came at the price of a basic disregard for consumer — and, at times, industrial — needs. While exports rose 11.6 percent in 1986, imports fell 5.6 percent.

Business people and diplomats say the energy crisis results from bad planning and the fact that coal-driven generating stations often do not function because of poor design and lack of spare parts and maintenance.

Except for the outburst in Brasov, words of discontent are barely whispered.

■ Strike in Yugoslavia

Several thousand Yugoslav workers, including about 3,500 coal miners, were on strike Sunday to press for higher wages to compensate for galloping inflation, The Associated Press reported from Belgrade, quoting local newspapers.



CAMPRESS

Women Rush Green Line In Cyprus

By Alan Cowell
New York Times Service

NICOSIA — Hundreds of Greek Cypriot women bearing white banners stormed and scrambled across the line dividing their country Sunday, scuffling with armed Turkish soldiers in protest at what one of them termed the partition of the island.

Unarmed United Nations forces from Britain, Canada, Australia and Sweden joined the Turkish troops to prevent the women from progressing far into northern Cyprus, which Turkish troops have occupied since their 1974 invasion following a pro-Greek coup here.

A UN force of 3,000 soldiers has since patrolled the so-called "green line" dividing Cyprus. The northern part of the island has proclaimed itself an independent state, but only Turkey recognizes it.

Leaders of the women's protest, which had been planned to circumvent UN efforts to stall it, hailed it as a success. Earlier demonstrations had failed to penetrate the buffer zone between the two sides, but on Sunday, one protester said, the women set foot for the first time on territory occupied by the Turks.

"We have shown the world that the Turkish Army is preventing Cypriots from moving freely in their own country," said Helen Soteriou, a leader of the protest. "We have shown that the Turkish Army has partitioned this country without the consent of the people."

"With the next march," said Katherine Porter, an American who joined the protest, "we will march to Kyrenia" in Turkish-occupied Cyprus. Mrs. Porter works for the U.S. Department of Energy in Washington as a special assistant and is the wife of Representative John E. Porter, Republican of Illinois.

She said she had flown to Cyprus to join the protest because she felt "strongly that every country should be one and should not be divided. It's a matter of basic human rights."

A Turkish Cypriot spokesman, Oktay Oksuzoglu, accused the Greek Cypriot authorities of "using women as propaganda tools."

The protest had been timed to coincide with a UN debate on Cyprus this week. That discussion has been postponed, but the protest proceeded nonetheless.

The action by Turkish troops, clad in combat gear with North Atlantic Treaty Organization rifles slung across their chests to confront unarmed women, came one week before a general election in Turkey on Nov. 29 that Ankara depicts as evidence of its democratic revival.

Earlier this month, moreover, Turkish authorities arrested two self-exiled Communists who returned to their homeland, where communism is outlawed, in what they said was a campaign to discredit Ankara's avowals of respect for democratic principles.

Iran Attacks 2 Greek Ships In the Gulf

New York Times Service

NICOSIA — Iranian naval gunners fired on two vessels in the Gulf over the the weekend, apparently in retaliation for Iraqi attacks on Iran-bound shipping. Tehran, meanwhile, asserted that its forces had attacked four U.S. helicopters in the region.

U.S. naval officials denied the assertions by the Iranian naval commander, Mohammed Hussein Malekzadegan, who was quoted by Tehran radio as saying that his forces had opened fire on the helicopters Saturday when they interfered in an Iranian search of the 29,018-ton Greek-registered freighter Jimilta.

Iranian naval vessels regularly intercept merchant shipping to search vessels for cargo bound for Iraq, which has been fighting a war with Iran for seven years.

Over the past 11 days, Iraq has claimed 19 hits on Iranian shipping in the Gulf as part of its campaign to disrupt the oil exports that fuel the Iranian war effort.

Many of the claims have gone unverified, but shipping executives said that seven of the 26 shuttle-tankers in the Iranian fleet had been damaged.

The tanker war in the Gulf is one facet of a conflict that has alarmed Arab allies of Iraq and drawn the United States into establishing a substantial naval presence in the region. Eleven Kuwaiti tankers have been reregistered as U.S. vessels, qualifying for U.S. naval escorts.

The U.S. Central Command in the Gulf said in Bahrain on Sunday that the minesweepers Inflict and Fearless had found two mines in shipping lanes close to Farsi Island, an Iranian base that is used to launch attacks by armed speedboats and suspected of serving as a center for the sowing of mines.

The U.S. command said that seven mines had been destroyed in the Farsi Island area since Nov. 19.

Shipping executives said an Iranian gunboat fired on the Greek-registered Jimilta near Farsi Island on Saturday to force it to allow an Iranian boarding party to search for Iraq-bound cargo. The vessel was heading for Kuwait, which sides with Iraq in the war.

Tehran radio said four U.S. helicopters appeared overhead after "a voice from an unknown station radioed to the Greek ship to sail on."

"But the Iranian Navy personnel, prepared to respond to any aggressive move by the Americans, fired on the helicopters and eventually led the ship to an Iranian port," Commodore Malekzadegan was quoted as saying.

Shipping executives reported a second Iranian attack 12 hours later on the 63,953-ton Greek-registered tanker Andromeda on its way to Saudi Arabia.

The Associated Press

CABLES CUT IN SYDNEY — Two workmen on Sunday began repairing the massive damage to Sydney's underground cable system. Saboteurs slashed 24 cables, cutting telephone service to thousands of people.

Protest to Oust Ershad Disrupts Bangladesh

Compiled by Our Staff From Dispatches

DHAKA, Bangladesh — The police fired Sunday on demonstrators during the second day of a national strike as clashes erupted across Bangladesh between supporters of President Hussain Mohammed Ershad and opponents demanding his resignation.

About 100 people were injured in the shootings, stabbings, and bombings, and at least 40 were arrested, police said.

Supporters of the ruling Jatiya Party, who have been largely inactive during a monthlong campaign to force Lieutenant General Ershad from office, clashed with opposition party members in Bangladesh's main cities, using bombs and firearms, authorities said. Police said 20 persons were injured.

Another 55 persons were reported injured in battles in Barisal and Faridpur, in southern Bangladesh.

Violence also broke out in Jessore, 250 miles (400 kilometers) west of Dhaka, leaving 25 persons hurt.

General Ershad, the former army chief of staff, took power in March 1982 in a coup. He imposed four years of martial law, which ended last year.

Because of the strike, there was little road traffic. Shops, factories and offices were closed. Air, rail and ferry services were canceled.

Officials said attendance in government offices fell sharply on Sunday because protesters the day before had stripped clothes off those reporting for work. Others fled after seeing the plight of their colleagues.

Strike leaders have extended the protest until Monday afternoon and said there would be another eight-hour strike on Tuesday.

(UPI, Reuters)

India Rejects Rebels' Terms For a Cease-Fire in Sri Lanka

Reuters

NEW DELHI — The Indian government said Sunday that new conditions set by Tamil guerrillas in Sri Lanka for the rebels to lay down their arms were unacceptable.

But a government spokesman would not say whether a unilateral, 48-hour cease-fire by Indian peacekeeping forces that expires Monday morning in Sri Lanka's Jaffna Peninsula would be extended or a military offensive resumed.

He said the Tamil conditions, which included withdrawing the peace-keeping force to its position before the offensive began on Oct. 10, would leave members of the Liberation Tigers of Tamil Eelam free to kill fellow guerrillas as well as Moslems and Sinhalese. Sinhalese, most of them Buddhists, account for three-quarters of the population of 16 million, while the predominantly Hindu Tamils make up 18 percent.

The spokesman said the Tigers were "insisting on a number of unacceptable pre-conditions," and he urged them to lay down their arms.

In Madras, capital of the Indian state of Tamil Nadu, the Tigers' leader, Velupillai Prabhakaran, issued an apparently conciliatory statement asking India to end the military offensive.

Mr. Prabhakaran is believed to be in hiding in northern Sri Lanka, and the statement issued on his behalf said he had never refused to cooperate with India on the issue of laying down arms.

The Indian spokesman described the statement as "propagandist and self-serving" and rejected Mr. Prabhakaran's claim that a majority of weapons had already been surrendered.

Focus in Denver Crash Shifts to Crew Experience

By Martha M. Hamilton
Washington Post Service

WASHINGTON — The copilot who is believed to have been at the controls of the Continental flight that crashed in a snowstorm in Denver last week would not have been allowed to handle the takeoff at Eastern or American Airlines.

At Eastern, if both the captain and the copilot are relatively inexperienced, that is, if the captain has fewer than 100 hours experience in command of a particular aircraft and the copilot has fewer than 200 hours of experience on the plane, the captain is required to handle takeoffs and landings.

American's rules prohibit a captain with less than 100 hours as pilot in command of a particular aircraft from turning the takeoff over to the copilot.

In addition, American requires at least one member of a two-person cockpit crew to have spent 50 hours in that seat, which would have prevented the pairing of the two Continental employees.

None of this is to say that Continental's rules, which left the decision of who was going to fly the plane up to the captain, are inherently unsafe.

Continental and industry professionals say that having the copilot at the controls and leaving the captain free to carefully monitor the takeoff can contribute to safety in some circumstances. Nor is it to say that pilot error or inexperience caused or contributed to the crash of the DC-9 that killed 28 persons, including the captain and copilot.

But the Continental crash and the questions it has raised follow a series of incidents that has focused attention on pilot training, including the crash in August of Northwest Airlines Flight 255 and several incidents involving Delta Airlines, including a near-collision.

In the past four years, U.S. airlines have gone on a hiring binge, signing on record numbers of new pilots to keep up with the increase in demand for flying that followed deregulation of the airline industry.

With the pool of available labor shrinking and a pilot shortage predicted, airlines have altered some of their requirements and have hired pilots with less experience and different types of experience.

Some of the old criteria for pilots, including height requirements and a requirement that candidates have 20-20 uncorrected vision, were arbitrary and unnecessary, said Kit Darby, vice president of the Future Aviation Professionals of America, a career information center.

Because airlines typically have hired pilots with hours far in excess of the airlines' minimum requirements, those minimums are not likely to change.

For instance, Continental's minimum hiring standard is 2,500 hours experience, but its new hires in the past year have averaged 4,000 hours, according to a vice president of Texas Air Corp., Clark A. Onstad.

In fact, total flying time for newly hired pilots shows no signs of declining.

This year it will be about 4,000 hours. What is changing, said Mr. Darby, is the quality of that experience — with fewer pilots having experience flying high-performance jets.

The reason for that change is the reduction in the percentage of new hires with military background, an outgrowth of the end of the war in Vietnam, the growth in commuter airlines and increasing demand for pilots.

In 1987, an estimated 63.7 percent of the new hires will have a military background, the background generally preferred by airlines. In the past, pilots with military backgrounds accounted for 75 percent to 80 percent of all new hires.

In 1983, average jet hours for new hires at major airlines was about 2,300, according to the Future Aviation Professionals of America. In 1985, the average had dropped to 800 hours.

This year it is expected to rise to about 1,400 hours, in part because airlines are increasingly willing to hire older pilots.

Some industry officials contend that flying scheduled service on commuter aircraft may be more valuable than jet time to an airline.

But other pilots say that making the shift from turboprops to higher performance airplanes is a bigger switch than shifting from one high-performance jet to another.

"A propeller-driven, straight-wing airplane is much more forgiving than a high-performance, swept-wing jet," a pilot said.

Frank Zvonek, 43, of the Continental jet that crashed last week had only 33 hours and 23 minutes as captain of a DC-9 jet, but he had extensive experience, including flying heavy, four-engine transport jets for the navy.

He had flown Boeing 727s and had a total 12,000 hours flying time, ranking him 459 among about 4,000 Continental pilots.

The copilot, Lee Bruecher, 26, had considerable turboprop experience on a commuter airline but had flown only 36 hours and 36 minutes in the DC-9.

Both employees met the Federal Aviation Administration's minimum standards and Continental's additional requirements, and both had undergone FAA-approved extensive DC-9 training in ground school and simulator training before they began flying DC-9s.

U.S. Pilot Suffers Fatal Heart Attack While Landing Jet

The Associated Press

NEWARK, New Jersey — An American Airlines pilot suffered a fatal heart attack while landing a jumbo jet with 94 people on board, but the co-pilot took the controls and brought the plane safely to a stop, the airline said Sunday.

Captain Don L. Ely, 51, was stricken Saturday night as the DC-10 was landing at Newark International Airport, according to an American Airlines spokesman.

It was not clear whether the co-pilot, Tom Meeker, landed the plane or took the controls when the craft was on the ground. Mr. Meeker told airport police that he landed the plane and taxied to the terminal after Mr. Ely slumped over the controls while the craft was about 50 feet (15 meters) above the runway, a Federal Aviation Administration spokeswoman said.

However, Mr. Meeker told the airline that he took over while the jet was speeding down the runway and that the pilot landed it.

WORLD BRIEFS

Israel Delays Expulsion of Palestinian

TEL AVIV (Reuters) — Israel said Sunday that it would delay the expulsion of Mubarak Awad, a Palestinian-American activist whose campaign to end Israeli occupation of Arab lands by nonviolent means has been defended by the U.S. government.

"There is no intention of issuing a deportation order for the moment," an Interior Ministry spokeswoman said after Mr. Awad, 44, ignored a ruling ordering him to leave when his visa expired on Friday.

The spokeswoman declined to comment on newspaper reports that Mr. Awad would ultimately be allowed to stay as he did not constitute a security threat. His case has received widespread attention, especially in the United States where a State Department spokesman last week said that Mr. Awad, a U.S. citizen who heads the Palestinian Center for the Study of Nonviolence, was a moderating influence in the area and his expulsion would be regrettable.

Koreans Exchange Shots Across DMZ

SEOUL (Combined Dispatches) — North and South Korean border troops exchanged gunfire in the Demilitarized Zone over the weekend, and the South Koreans said one of their soldiers had been wounded.

North Korea accused South Korea of firing scores of bullets Saturday at one of its positions in "a grave military provocation." Its official Korean Central News Agency said South Korean fire had "destroyed furniture of our post and gravely menaced the safety of our guard policemen," but it provided no details on casualties. South Korea said the gunbattle was triggered by shots fired first from North Korean positions and that it had acted only in self-defense.

The American-led United Nations Command, which is responsible for patrolling the southern portion of the zone, sent protests to North Korea and is investigating the incident, Lee Heung Shik, the South Korean Defense Ministry spokesman, said. He said the North Koreans were seeking to "create social unrest in South Korea, which is in an election atmosphere."

Pakistan Frontier Explosion Kills 2

QUETTA, Pakistan (Reuters) — Two persons were killed and injured on Saturday by a bomb explosion in a railway station in the border town of Chaman, in western Pakistan. A government official said by telephone from the town, located on the Afghan border, that the casualties were all Pakistanis.

He said the bomb might have been planted by saboteurs from Afghanistan, where Pakistan-backed rebels are waging a guerrilla war against the Soviet-backed government in Kabul.

Chaman, 100 miles west of Quetta, lies on the road that links that city to Kandahar, Afghanistan's second-largest city, which is the center of a region affected by heavy fighting. The Western-backed Afghan rebels have important bases around Quetta.

German TV Satellite Malfunctions

KOUROU, French Guiana (UPI) — Technicians reported Sunday that they had been unable to deploy one of two solar panels on a West German satellite but that they were optimistic about eventually succeeding.

The wing-like panel is used to store energy. Its failure to extend threatens to reduce the usage of the $100 million TV-SAT1 satellite by half. It is to begin beaming programs over four German-language networks in central Europe by February.

Technicians at the French National Center for Space Studies in Kourou, where the satellite was launched Friday atop an Ariane rocket, said the satellite was working well in spite of the temporary loss of its solar panel.

Intruder Is Arrested at White House

WASHINGTON (UPI) — An intruder who told the Secret Service he was "trying to catch the sun" jumped the White House fence Saturday and was arrested within yards of the West Wing and the Oval Office.

President Ronald Reagan was in the residential portion of the executive mansion at the time but was never in any danger.

A Secret Service spokesman, Rich Adams, said the intruder, identified as Mike Davis, 26, of nearby Langley Park, Maryland, told members of the Secret Service who arrested him that he was "astroplaning."

For the Record

Jorge Luis Ochoa Vásquez, a suspected leader of a cocaine smuggling ring based in Medellín, Colombia, was arrested for speeding Saturday and held for possible extradition to the United States on drug trafficking charges, the Justice Ministry in Bogotá said. (UPI)

The 15th game of the world chess championship was drawn in Seville, Spain, on Saturday, without resumption of play. The game had been adjourned Friday. Garri Kasparov, the champion, now leads the challenger, Anatoli Karpov, 8-7. (UPI)

TRAVEL UPDATE

Court Blocks Strike at French Airline

PARIS (AP) — A court has blocked a strike by Air Inter pilots and mechanics planned for Tuesday, ruling Saturday that the unions intended to "exercise their right to strike in an abusive manner and create clearly illegal troubles."

The unions called the strike to press for three-man cockpit crews when Airbus A-320 planes go into service, rather than the planned two-man crews. The unions, which want a navigator in the cockpit along with pilot and co-pilot, said they would appeal the verdict.

A 24-hour strike Sunday at Rome's Leonardo da Vinci airport forced cancellations or delays of flights, airport officials said. Ground workers of the national airline Alitalia and the staff of the company that runs the airport are seeking a contract that would include higher pay and shorter working hours. Normal operations were to resume Monday. (Reuters)

Cuba and the Dominican Republic are close to an agreement on weekly charter flights between the two countries even though they do not have diplomatic relations, the newspaper El Nacional reported Sunday. (AP)

Scandinavian Airlines System in Oslo said Sunday it would cancel domestic flights on Monday after ground technicians and stevedores started a work slowdown to support a demand for increased pay. (AP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Japan.
TUESDAY: Zaire.
WEDNESDAY: Suriname.
THURSDAY: Guam, Puerto Rico, United States.
SATURDAY: Albania, Chad, Mauritania, Panama.

Source: Morgan Guaranty Trust Co. Reuters

DOONESBURY

U.S. Space-Defense Plan Faces Delays as Budget Is Held to 11% Growth

By David E. Sanger
New York Times Service

NEW YORK — Facing a research budget substantially smaller than they had envisioned, officials in charge of President Ronald Reagan's program to develop a missile-defense system in space say they are planning sharp cutbacks and delays of up to two years in experiments.

The smaller research budget for the Strategic Defense Initiative was approved by Congress last week as part of legislation authorizing military projects.

While experts disagree about the exact impact of the cuts, nearly all say the government will not be able to decide by 1992, the target date, whether to begin manufacturing equipment to be deployed in the first phase of the missile-defense plan.

"At this point, I think the development decision will have to slip out beyond 1992," Gordon Smith, deputy director of the Pentagon's Strategic Defense Initiative Organization, said in a recent interview. "I don't think that we will know enough by then."

Thus, the budget process appears to have decided what had been a raging policy debate earlier this year over the feasibility of "early deployment" of SDI. Military contractors say they doubt that the first phase could be deployed before the late 1990s, and several industry officials say privately that they are scaling back their own plans to invest in SDI technology because they fear that any large development contracts will be significantly delayed.

The military authorization bill includes $3.9 billion for the missile-defense program, an 11-percent increase over last year's financing but $1.8 billion less than the Reagan administration had said it needed.

The action by Congress on military projects was not related to the deficit-reduction agreement reached Friday among congressional and White House negotiators. Military officials said it was unclear whether the compromise on the deficit would further shrink SDI funds. Nor is it clear how SDI research will be affected if the Gramm-Rudman deficit-reduction law forces automatic cuts.

In the short term, the budget cutbacks will affect such projects as the U.S. Army's plan to eliminate two of the five tests scheduled between now and 1990 to develop a lightweight missile that would be the last line of defense against incoming nuclear warheads.

Substantial delays are expected in the development and testing of programs to link sensors, weapons and battle-management computers. And the Pentagon said Friday that two sensor systems critical to discriminating real warheads from decoys would be delayed about two years.

The cutbacks have also resulted in a strange reversal of events in the politics of military budgets. Several years ago, as SDI gained momentum, the army, air force and other Pentagon branches sought to protect some of their favorite high-technology projects from budget cuts by including them in the SDI budget.

But now, that association is viewed as something of a liability. And slowly the projects are moving back to other budgets, making the true scope of expenditures for the anti-missile program hard to measure.

Even without the budget cuts, doubts have grown in recent months, after two major studies, that the 1992 deadline could be met. Compounding the doubts was the quieting of the debate about "early deployment." While no one ever agreed on the meaning of the phrase, it appeared to refer to deployment of a primitive missile-defense system by the mid-1990s.

Caspar W. Weinberger, then the defense secretary, seemed to be pushing for a commitment to early deployment in speeches in January and February. But after a flurry of meetings last spring, Mr. Weinberger stopped talking about the topic in detail.

"It was decided that we should not deploy anything early that could not be a major component of a larger system later," said Richard N. Perle, who left the Pentagon earlier this year.

Frank J. Gaffney Jr.

Arms Expert Quits, Assails U.S. Policy

By John H. Cushman Jr.
New York Times Service

WASHINGTON — The Pentagon's top arms control official has announced that he is leaving the government and leveled a blast of criticism at the Reagan administration for its eagerness to conclude an arms treaty with Moscow.

The official, Frank J. Gaffney Jr., is a hard-liner who was an influential adviser to Defense Secretary Caspar W. Weinberger. He said he was told Thursday by the newly appointed secretary, Frank C. Carlucci 3d, that he would not be given a previously proposed promotion to assistant secretary of defense for international security policy. Mr. Gaffney has been waiting seven months to be confirmed by the Senate in that position, previously held by Richard N. Perle.

Rather than stay on as a deputy assistant secretary, Mr. Gaffney said Friday, he immediately resigned.

But before leaving office, Mr. Gaffney said that he thought President Ronald Reagan should "slow the pace of negotiations" on limiting nuclear arms even if this meant no treaty could be signed during the U.S.-Soviet summit meeting in early December.

"We are now in a very dangerous situation of negotiating an arms control agreement under a deadline that is broadly recognized to be an artificially created one," he said.

Officials said Mr. Gaffney was likely to be replaced by Ronald F. Lehman 2d, the administration's negotiator on control of long-range nuclear arms.

Mr. Gaffney said he planned to work for a time as a visiting fellow at the American Enterprise Institute, a policy research group where Mr. Perle, his longtime associate, also works.

Ron Edmonds/The Associated Press

Michael K. Deaver outside the courthouse in Washington where he is currently on trial for five counts of perjury.

On Trial, Deaver Seen as Amiable PR Man

By Ben A. Franklin
New York Times Service

WASHINGTON — The picture of Michael K. Deaver that is emerging at his perjury trial is one of an amiable, former small-town California public relations man who became one of the most trusted members of President Ronald Reagan's inner circle and whose trip on the fast track led him to betray, perhaps under the influence of alcohol, his own standards of acceptable conduct.

The testimony has disclosed that in May 1985, fresh from his White House post as Mr. Reagan's deputy chief of staff, Mr. Deaver began signing a series of quarter-million-dollar lobbying contracts with corporations and foreign governments whose leaders were convinced that he had the access and influence to quietly accomplish their objectives.

The results were mixed, according to evidence in the trial, which began four weeks ago. Trans World Airlines paid him $250,000 to make a single phone call to a cabinet member. It failed to achieve the desired results. South Korea paid him $475,000 to engineer a two-minute ceremonial visit with Mr. Reagan by a Korean foreign trade official who delivered a letter the president probably did not read.

But many of the long hours of

NEWS ANALYSIS

trial testimony have centered on scores of arcane memoranda, fine-print telephone logs and pages of scribbled notes that the prosecution has projected on a screen positioned in front of the jurors. At times, some members of the jury seemed to struggle to stay awake. There have been few moments of courtroom drama.

On Friday, a short appearance on the witness stand by Secretary of State George P. Shultz appeared to be so favorable to Mr. Deaver that it visibly angered Whitney North Seymour Jr., the special prosecutor in the Deaver case.

Mr. Shultz, a witness summoned by the prosecution, confirmed in a confidently jocular way that Mr. Deaver had lobbied him in 1985 when he was two weeks out of his former White House post. But Mr. Deaver had been perfectly "up front" about it, the secretary said.

Furthermore, Mr. Shultz said that Mr. Deaver's objective in calling on him — the preservation of a tax break for mainland manufacturers willing to invest in Puerto Rico — was already high on the State Department's agenda.

Apparently taken aback, Mr. Seymour did not ask Mr. Shultz whether he knew at the time that his caller's newly formed lobbying firm, Michael K. Deaver & Associates Inc., was being paid $150,000 a year to preserve a tax break that the Treasury Department's revenue experts thought was making a few American companies unjustly rich.

Mr. Seymour, a former U.S. Attorney in Manhattan, is seeking to show that Mr. Deaver lied in 1986 under oath before a grand jury. He swore then that, other than a casual social contact with Treasury Secretary James A. Baker 3d, he had not lobbied any other former administration colleagues for the Puerto Rican tax provision.

The defendant is the first top Reagan administration figure — the first from any administration — to be brought to trial for alleged misconduct under the system of so-called independent counsels, enacted in 1978 as part of the Ethics in Government Act.

The prosecution of Mr. Deaver for the private exploitation of "insider" access to powerful former government officials — the conduct forbidden by the ethics act — might have raised unpredictable constitutional questions about free speech, for example.

After Mr. Deaver denied in sworn testimony to Congress in 1986 any wrongdoing in his lobbying for corporate and foreign clients, the prosecutor chose to accuse him of lying under oath.

Republican critics of the Deaver trial have expressed shock at the roughly $600,000 in costs run up by the prosecution. The Deaver indictment includes five counts of perjury for which the maximum penalty on conviction could be 25 years in prison and $34,000 in fines. Perjury is a charge widely regarded as difficult to prove against a defendant whose alleged lying consisted largely of "I don't remember."

AMERICAN TOPICS

Dead Plant, Ferocious Fake Among Features at Fad Fair

Fad Fair in Manhattan this month included "Everbrown," vaguely on the order of the Pet Rock: "It's a dead plant, a stalk off a hedge," explained the inventor, David Lawrence of Reisterstown, Maryland. "We've taken the guilt out of watching your plants die."

For people who talk to their plants, he said, "The Everbrown can be used for discipline. You put it near your live plants and explain that if they don't do what you want, this is what's going to happen.'

Albin Sadar of New York and Bob Pagani of Allentown, Pennsylvania, introduced "Dobermask" as an inexpensive way to ward off burglars.

"It's a mask of a Doberman pinscher that you can slip on the head of your cat or puppy," Mr. Sadar explained. "It comes with a sign you put in the window saying, 'These Premises Patrolled by Dobermask.' "

Increased Effort Required To Stay Fit, Some Experts Say

Bad news, joggers. Half an hour of jogging three times a week won't keep you fit, despite the conventional wisdom to that effect. You need to run twice that: half an hour six times a week, covering three miles (five kilometers) each time. Or swim or ski that long. Or play singles tennis even longer, for four hours and 45 minutes a week.

The New York Times says that if fitness is defined as strengthening the cardiovascular system and living longer, many scientists now agree that this means expending at least 2,000 calories a week on some form of exercise. One of the best-known studies along these lines was by Dr. Ralph Paffenbarger of Stanford University, who based his 2,000-calorie figure on an unspecified number of longshoremen and 17,000 Harvard graduates.

Those 2,000 calories are more than double the 900 calories recommended by Kenneth H. Cooper, a former U.S. Air Force doctor and founder of the Aerobics Center in Dallas. His latest book, "The Aerobics Program for Total Well-Being," says 900 calories' worth of exercise a week is enough.

Short Takes

Some cities are using curfews to reduce violence and drug use among teen-agers. In Pittsfield, Maine, a town of 4,500 people, a whistle sounds at 9 P.M., warning those 15 and under that they have 15 minutes to be off the streets or face being picked up by the police. In Los Angeles, a 10 P.M.-to-sunrise curfew prohibits those under 18 from being on the streets or other places open to the public unless accompanied by a parent or guardian. In recent years Detroit, Philadelphia and Chicago have restricted the hours that young people can be on the streets unsupervised.

Alcohol abuse costs the United States as much as $117 billion a year in lost productivity and medical bills, according to the U.S. Department of Health and Human Services. Thomas R. Burke, the department's chief of staff, said most of this, $92.8 billion, "represents products, goods and services never produced, never delivered" because of alcohol-related problems: "These hidden costs represent the economic stagnation caused by reduced productivity, premature loss of life, employment lost by victims of alcohol-related motor vehicle crashes and incarceration of criminals." Another $15 billion is for direct medical costs; the rest, for various indirect and social welfare costs.

Notes About People

Clark Clifford, an adviser to Democratic presidents for four decades and the quintessential Washington political operator, told The Washington Post he had been thinking for quite some time about writing a book about some "of the people I have been privileged to know." Mr. Clifford, 80, said he has had a series of meetings with Random House in New York. "All I can say now," he added, "is I am interested; they are interested. We have agreed to have continuing discussions."

Woody Allen has sharp criticism for his earliest films — "What's New, Pussycat?" in 1965 was an "undeserved" financial success; "Bananas" in 1971 was marred by "an infantile type of funniness." Mr. Allen, 51, said in a a television interview with the British Broadcasting Corporation, "I don't feel I've made a great film yet in my life." He said his standards are classics like Vittorio de Sica's "The Bicycle Thief" and Jean Renoir's "The Grand Illusion." He said he is drawn to tragic playwrights like Strindberg and O'Neill and prefers Shakespeare's tragedies to his comedies. Mr. Allen said his favorite among his own films is the bittersweet "The Purple Rose of Cairo."

—ARTHUR HIGBEE

Jaruzelski Back From Athens

United Press International

WARSAW — The Polish leader, General Wojciech Jaruzelski, returned home Saturday after a three-day state visit to Greece — his first official trip to a North Atlantic Treaty Organization (NATO) country since the 1981 imposition of martial law.

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

OPINION

Not Yet a Solution

Reagan Can Do Better

Deficit-reduction negotiators delivered the anticipated turkey on Friday amid reports that Republicans would refuse to choke down even this scrawny, pallid bird. Their rebellion may not be entirely bad news. The negotiated deal does provide a more sensible way to reduce the immense federal budget deficit than the automatic, across-the-board spending cuts required by the Gramm-Rudman-Hollings law. But it is just barely possible that widespread disgust with the package could be parlayed into a tougher bipartisan accord — one that raises more revenue and restrains the growth of middle-class entitlement programs.

Congress cannot be expected to make the leap on its own. The last, faint hope for deficit redemption turns on President Reagan shedding his role as self-righteous critic of the big spenders and assuming the job of leading the nation.

In the first stage of the monthlong negotiation, the obstacle to agreement was the president's opposition to tough initiatives, such as a gasoline tax increase or a cap on retirement program costs. By the time he caved, the sense of urgency was lost. Fearing that they would be unable to line up the votes, congressional leaders refused to assemble a big deficit reduction package or even to spell out specific deficit cuts.

The deal announced on Friday sets a modest goal of some $22 billion in spending cuts and higher taxes, plus $8 billion in one-shot savings from asset sales and accounting gimmicks. Congress has 10 working days to fill in the blanks and vote on the package as a substitute for the $23 billion in automatic Gramm-Rudman spending cuts. Republicans, particularly in the House, see little political advantage in cooperating. Rather than take the heat for increasing taxes, many seem prepared to let the automatic cuts take effect. And the Democratic majority will not shoulder the burden alone.

Narrowed to Gramm-Rudman-Hollings or the negotiated package, the choice is easy. G-R-H would mechanically chop a flat 8.5 percent off dozens of high-priority programs. The package, at least, includes some room for long overdue revenue increases and permits spending cuts where they would be least disruptive.

But perhaps there is a third and better choice — a new package that raises the right taxes and restrains entitlement programs. Strong majorities in both parties recognize what must be done. But they require political protection to do what they know is right. The cover can come only from a leader elected by the whole nation: the president.

Is it realistic to expect such leadership from the querulous, distracted resident of the White House? He was able to put aside his ideological caricature views of the Soviet Union, take the longer historical view and set to work on arms control. Perhaps he can be brought to understand that his position in history and the ultimate security of the nation depend to an even greater degree on his management of this economic crisis.

— THE NEW YORK TIMES.

A Failure of Courage

The budget negotiations that produced such a shabby result last week were never about fiscal policy. Everyone understands in what direction that should go. The issue in those largely fruitless talks was where to find the political courage to go there. The painful thing about them was the weakness they exposed, not merely in this particular president or Congress or the parties but somehow in the system. They were a monthlong test of character that all sides failed. "We didn't have enough heroes," Speaker Jim Wright said afterward. They didn't have any.

Of the $30 billion in first-year savings on which the negotiators agreed, about a fourth would be phony, mainly the proceeds of asset sales. The rest of the familiar list has a scraped-together quality that inspires little confidence. The reason is that too much of the budget was put out of bounds.

This time, for all the oratory the subject still inspires, the problem was not defense. For three years there has been a consensus in Congress that the defense buildup needs to be leveled off; the only dispute has been how fast. Liberal Democrats in the House in particular continue to call for large cuts, but the Democrats as a party do not want to undo the buildup, any more than the Republicans seriously think that it can be continued. Defense is a draw these days.

The same is basically true of the domestic discretionary accounts, the ones subject to the annual appropriations process. Here it is the Republicans who mostly continue to call for cuts, and they are right: There are programs in these bills that could easily be dispensed with. But many of these are beloved as much by Republicans as by Democrats, and most are relatively minor. This has probably been the most pawed-over part of the budget in the Reagan years; at most the parties are a few billion dollars apart.

The standoff remains in the other great parts of the fiscal equation. The script is familiar: Democrats fear that Republicans will label them tax-and-spend if there is a tax increase; Republicans fear that Democrats will label them anti-elderly if there is a Social Security cut. For a while the two sides contemplate doing both, then compromise by doing neither, reducing the risk to themselves in exactly the same proportion that they increase the risk to the economy.

The plan announced on Friday lacks a modest income or gasoline tax increase to anchor the lesser provisions contemplated on the revenue side, a comparable cut in Social Security and related benefits to do the same on spending. That would make it credible. Now it is little more than another holding action until the next election and the next administration.

For opposite reasons some members of both parties, particularly in the House, profess to be disgusted enough with this gray porridge to vote no next month, and bring on the deeper Gramm-Rudman cuts in both defense and domestic programs that lie in wait. The porridge is better than Gramm-Rudman, if only because those cuts would never last. A no vote would only be worth it if it were a sign that Congress would do the things from which, this time, both it and the administration flinched.

— THE WASHINGTON POST.

The Iran-Contra Scandal

President Reagan accepts nominal responsibility for the Iran-contra affair — yet still will not acknowledge the heart of the scandal: his irresponsible privatization of government's most sensitive functions.

His program of illicit arms sales, illegal military aid and covert foreign policies was the ultimate turnover of government to private enterprise. It was even called "the Enterprise" by the arms merchants who ran it. To those who mourn the loss of public trust, it is called a tragedy.

Iran-contra was surely enterprising, the venture of imaginative men wielding government power but not tethered to constitutional controls. Private agents were unleashed to do what Mr. Reagan, bound by law and his pledges to the American people, could not do. They sold arms to Iran, a terrorist adversary, in return for American hostages, then used the profits to buy lethal supplies for the rebel forces in Nicaragua.

Enterprising, yes, and scary. Just how scary, based on what the enterprise did and planned to do, is chillingly clear from the report by the Senate and House investigating committees. As Lieutenant Colonel Oliver North testified, the late William Casey, director of central intelligence, was the enterprise's silent partner and grand designer.

According to Colonel North, Mr. Casey saw the Iran-contra diversion as "a neat idea" and the enterprise as a model for a permanent covert entity, self-financed and off the books, readily pulled off the shelf when needed for clandestine operations anywhere. As one of the report's authors has said, "Casey had a dream, and in Iran-contra the dream became operational."

Like his friend the president, Bill Casey was frustrated by government, impatient with its processes and contemptuous of Congress and its attempts to share power and oversee the executive branch. They long believed in private-sector superiority, and so did Richard Secord, the retired air force general who became the enterprise's munitions master at Mr. Casey's suggestion.

Mr. Secord's partner, Albert Hakim, testified that he found himself "secretary of state for a day" and could get more done than the authorized incumbent. Incredibly, this private citizen was authorized to make concessions to Iranian officials in America's name that were utterly at odds with sane, official policy.

The enterprise eventually acquired five airplanes, an airfield and warehouse facilities, at public expense. When Iran-contra began to unravel, these entrepreneurs tried to sell these assets back to the U.S. government. Their operation generated an estimated $48 million in revenue, from which they paid themselves handsomely while still claiming title to assets that the committees estimated to be worth as much as $8 million.

None of this much troubles the man who made it all possible. The committees' majority report charges the president with creating the climate for these lawless initiatives and failing to inform himself even when confronted by scandal. He gave wrong answers, avoided asking trusted aides what they had done with their trust, even expressed boredom as the congressional hearings told him what he was supposed to know.

Above all, the committees' report leads the American people back to the central point, trust. When Mr. Reagan a year ago acknowledged his responsibility in the sale of arms to Iran, a once admiring public was incredulous; his standing in the polls plummeted overnight — and has not recovered since.

There are no institutional or legislative protections against a president who would secretly abuse that trust. He can always find a way around the procedures and loopholes in the laws. The committees' report recognizes that and limits its recommendations to modest changes. The only real remedy is a president who will faithfully execute the laws that the United States already has.

— THE NEW YORK TIMES.

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Government Requires Somebody in Charge

By Anthony Lewis

BOSTON — For some years now Washington has been the site of a fascinating controlled experiment. The study has been seeking the answer to this question: Can the American system of government work, in the modern world, with no one in charge?

The results are in, and they are conclusive. The answer is no.

The decisive test has come during the last month. The stock market crash of Oct. 19 brought a great demand and opportunity for presidential leadership. Financial markets and political leaders around the world looked to President Reagan. A month later it is clear that there will be no meaningful response. And the consequences are menacing.

In the American system the president does not govern alone; it is a system of multiple power centers. But nothing can happen without presidential leadership. We are relearning that old truth in this time of a president detached from reality, detached from responsibility.

Consider the endless negotiations over reducing the budget deficit. The world's financial markets breathed in and out as the talks wavered between hints of success and failure. The end, when it finally came, seemed not a bang but a whimper. It is not likely to restore confidence — which was the point of the exercise.

Congress has its share of responsibility, of course; some members of both parties thought of short-term politics instead of the financial urgency. But the really extraordinary thing about it was the detachment, the passivity of the president.

Mr. Reagan, in those weeks, did little about the budget negotiations except repeat his familiar argument that tax increases are bad and could be only a last resort. To make that point in the circumstances was eerily counterproductive, since the one symbol the financial world wanted for reassurance was a tax rise.

Almost any imaginable president, in those circumstances, would have turned necessity into leverage. He would have said something like: "You know I have been opposed to higher taxes. But in a time of financial concern, and in order to prevent worse, we must all make compromises. I am calling on Congress to raise the gasoline tax — it will still be far less than other countries' — and also to limit cost-of-living adjustments for Social Security ... "

The gasoline tax and Social Security adjustment ideas were in fact discussed at a meeting of congressional leaders with Mr. Reagan on Nov. 6. But he took no firm position, leaving everyone confused. Some who attended the meeting said they found the president's performance scary.

In the absence of a commitment from Mr. Reagan — a willingness to take the political heat for something like a limit on cost-of-living adjustments — Democratic congressmen naturally would not stick their necks out. That necessary step — and it is necessary — can come only by political agreement. And that in turn requires presidential leadership.

Another remarkable example of ineptitude in the White House has been the fumbled proposal to have Mikhail Gorbachev address a joint meeting of Congress. The idea was certain to outrage right-wing Republicans. How could anyone put it forward without anticipating that reaction? Where was Howard Baker, whose special value as White House chief of staff was supposed to be his familiarity with Congress?

Once the adverse reaction exploded, it was essential for the White House to come up quickly with an acceptable alternative. To have the controversy run on was to give Mr. Gorbachev a slap in the face — something no sane U.S. official would want to do with Mr. Gorbachev in a tense internal political situation on the eve of the summit.

The more worrying leadership failure has been the non-response to the financial crisis. For me the most powerful sign of that failure has been intense criticism from Britain's Conservative government, once Mr. Reagan's most adoring foreign friend.

The chancellor of the exchequer, Nigel Lawson, called early this month for "a clear and credible package" to reduce the American budget deficit, "preferably with at least some increase in some form of taxation." That, he said, "has become the touchstone of whether the United States has the political will to make hard choices and to do what needs to be done."

The United States does not have the will today. It cannot while it has a president adrift in slogans, out of touch with urgent necessities.

The New York Times.

BY CONRAD in the Los Angeles Times: "The lights are on but nobody's home."

Reagan's Hero Would Have Attacked the Crisis Head-On

THE economic outlook hinges on confidence. Sadly, the budget package looks weak and will provide little reassurance. President Reagan must do more.

No modern leader dealt more effectively with crises of public confidence than Mr. Reagan's professed political hero, Franklin Delano Roosevelt. Instead of continuing the silence and inaction that has characterized Mr. Reagan since the onset of the financial crisis, he should borrow a leaf from his mentor.

A review of the major crises of the Roosevelt years shows that he generally took the offensive on four levels.

First, President Roosevelt took personal control and made the major decisions himself.

Second, communicating with the public was always a top priority; at critical moments, he rattled off fireside chats and twice weekly press conferences to show that problems were being tackled head on.

Third, he consulted extensively with leading citizens; from Bernard Baruch to Sidney Hillman to Clarence Darrow, he believed in drawing on America's best.

Fourth, he recognized that big problems required bold responses; upon first taking office, he reformed the banking system, launched a rescue of the farm economy and suspended the gold standard, all within 100 days.

A comparison of Rooseveltian confidence-building with the Reagan style is unflattering to Mr. Reagan. There is little sign that he is personally involved in economic stabilization efforts. There is no evidence that he has sought any direct, private advice; with the administration bereft of financial market experience, it is baffling why knowledgeable hands like Paul Volcker or Donald Regan are not summoned to help. As for bold strokes, the White House has come up empty.

If FDR were around today, how would he seize the moment? There would be a speech demonstrating that he understood the dimensions of the crisis. Next he would summon outstanding business and financial experts, private economists and other leaders. They would provide real advice and help build support for eventual proposals.

On the budget talks, he would have taken charge personally and sought round-the-clock negotiations aimed not at a modest, one-shot cut but at a large, multiyear package. The Rooseveltian passion for summitry would also assert itself: He would promptly meet West German and Japanese leaders, among others. Commitments on economic stimuli, lower worldwide interest rates and real currency stability would be hammered out.

The result would be a calming of consumers, businesses and financial markets. FDR's personal style and bold commands would be a tonic. It is getting late, but Mr. Reagan still has time to emulate his hero.

— *Roger C. Altman, an investment banker and former U.S. assistant secretary of the Treasury (1977 to 1980), writing in The New York Times.*

Time for a British-Style Review of Commitments

By Geoffrey Kemp

WASHINGTON — During the mid-1960s, Britain's poor economic state forced reassessment of its worldwide military commitments. British leaders decided that they could no longer afford to maintain a major military presence "east of Suez" while fulfilling Britain's role in NATO and maintaining an independent nuclear force.

There are similarities between that dilemma and today. It has taken a Wall Street crisis and fear about the Gulf war to focus attention on the growing gaps between America's resources, its military budget and its overseas commitments.

In Europe and elsewhere, Washington should not give away bargaining chips by unilateral action.

It is time for the equivalent of an "east of Suez" debate in the United States. America must decide where its overseas military priorities lie, how much it is prepared to pay for them and what to do if cuts are required.

Vietnam forced a rethinking of U.S. military strategies based on deploying ground forces in Third World conflicts. The Nixon doctrine provided arms and other high-tech inputs while the local countries provided the manpower. Although America finally withdrew from Southeast Asia, it almost immediately increased naval deployments to the Indian Ocean. Now, as new commitments loom in the Gulf, the Philippines and Central America and become tests of U.S. credibility, it is possible to see how America could again be drawn into a land war.

This comes as America faces increased military opposition in all conflict regions, a big trade imbalance and a federal deficit of historic and dangerous proportions. There is confusion as to the nature and extent of America's global role — whether it is prepared to use significant military power to sustain commitments. The problem is that reducing commitments is more difficult than cutting the defense budget. It also goes against the grain for a superpower, as President Jimmy Carter found when he proposed pulling troops out of South Korea and had to change his mind. There are always good reasons not to withdraw.

Washington should negotiate with Moscow for long-term cuts in global forces, not give away bargaining chips by unilateral action. It should not reduce U.S. forces in Europe, the Gulf region or East Asia until its allies are prepared to take up the slack.

But the United States does not have the luxury to wait until all circumstances are favorable. For instance, what does the U.S. government do if it has to commit more forces in the Philippines to protect its investment in Corazon Aquino? What if Central America explodes with an intensified Nicaraguan conflict? Even the new, expensive 600-ship navy cannot be everywhere. The seriousness of the dilemma is highlighted in the Gulf, where America now has 50 ships. The additional costs of this operation are fairly low — $1 million to $2 million a day — but they could escalate quickly if Iran attacked a U.S. ship.

What can the United States expect its allies to do to compensate for U.S. withdrawals? In the foreseeable future, it cannot expect them to make contributions to South Korea, the Philippines and Central America. But that is not the case with NATO and the Middle East. There the Europeans are increasingly willing to take a greater share of responsibility. The United States should encourage them to work within the revitalized Western European Union to establish a parallel set of European defense ventures within the NATO framework.

The U.S. government should be pleased that Britain, France, Italy, the Netherlands and Belgium now have more warships in the Gulf than America does, and that West Germany has for the first time deployed naval forces to the Mediterranean.

Provided that the United States does nothing precipitous and U.S.-Soviet relations continue to improve, working together with Europe to redefine burden-sharing need not change the alliance's dynamics, even though the process will be painful.

Japan is a more difficult matter — one of the world's most powerful economies but a military pygmy. A stronger Japanese military role in Asia would raise as many questions as it resolved. What the United States must do is find a way for Japan to pay a greater share of the Western security burden without a dramatic increase in its armed forces.

More attention must be paid to Japanese economic assistance. Millions of yen spent in Japanese assistance to small countries today mighty avoid the commitment of billions of dollars of U.S. military forces in the future. Japan could assist countries whose security is threatened by economic problems. The Philippines, Pakistan, Sudan, Egypt and most of Latin America fall into that category. Japan's government recognizes this but, as is the case with most foreign policy initiatives emanating from Tokyo, the pace is exceedingly slow.

Burden-sharing and U.S. overseas commitments should be key issues in the 1988 presidential race. Each candidate should have to answer how to reconcile U.S. global posture with a constant or declining military budget. But U.S. national security is not something decided in a vacuum. This "east of Suez" debate about reduced U.S. military commitments must be conducted in close cooperation with allies.

If not, the United States may feel forced to take unilateral and perhaps precipitous action. That could undermine the basis of U.S. postwar security and bring on neo-isolationism, which in turn would trigger global recession and dangerous times for all.

The writer, a senior associate of the Carnegie Endowment for International Peace, was special assistant to President Reagan for national security affairs from 1981 to 1984. He contributed this comment to the Los Angeles Times.

Filipinos Have Too Many Countries

By Richard Reeves

BARANGAY PAYATAS, Philippines — There is a nice view across a valley to the Sierra Madre from the tiny scrap-wood chapel here. Too bad Our Lady of Perpetual Help is in a garbage dump.

A proud little list, elaborately lettered and covered by cellophane, names donors to the chapel's "Day Care Center." Mr. and Mrs. A. Miranda are on the top for giving a bag of cement, with 55 pesos (about $2.50). Gilma Gundron is the eighth and last name for giving 5 pesos. The people in the *barangay* (slum) make their livings, not bad ones in the Philippines, by scavenging the garbage brought out here in trucks from Quezon City. They sort out and sell anything that can be recycled — bottles, cans, plastic, paper.

The priest saying Sunday Mass, John Carroll, was a Jesuit from Orange, New Jersey, who has lived here for 25 years. He began his sermon by mentioning the two murders on the dirt road past the chapel the week before. No one had helped one of the victims as he bled to death in the night. "Baglilingcod sa nga Kapwa," he said in Tagalog. We must serve our neighbors. Community — there is more to life than every man for himself.

Despite the Philippines' overwhelming Christianity, the Golden Rule does not seem to apply. There is no sense that they are all in this together. Something in the character of each Filipino seems to have left the Philippines a country that is not a nation. "You can say there is no true Philippine nationalism," said Amando Doronila, editor of The Manila Chronicle, "because nationalistic feelings are not accompanied by the discipline to give up something of their own for the country."

The national ethic is extreme individualism, selfish and guarded. Exploitive and corrupt near the top, just corrupt below. The new director of the National Customs Office, Salvador Mison, said recently that he is against "graft and corruption" but that it is all right for officers to accept "tokens of appreciation — that's part of Filipino culture."

"But what about 'People Power,' millions in the streets for Cory Aquino?" I asked Father Carroll. He waited a long time before answering: "That was not nationalism. Not patriotism. Brotherhood, perhaps. There is brotherhood, especially among the poor."

I suppose. The cab driver I was with showed no anger when a policeman waved him to a stop and demanded 50 pesos. "It's O.K.," the driver said. "He needs it. He makes only 750 a month and he probably has two wives."

A radio somewhere near us was playing "Secondhand Rose." Barbra Streisand, like the cab driver's "idol," Larry Bird, is a secondhand culture hero in this miniature America. It's a secondhand country. Recycled garbage. Retreads for tires. The popular car is a handmade imitation World War II Jeep with rebuilt engines from the United States or Japan.

When I first met Father Carroll, a couple a days before he went out to Payatas, he was working out an essay on the current politics of his adopted homeland. "The best I can come up with is a football game with five teams on the field," he said, "all of them playing by different rules."

The army. The presidential palace. Congress. Business. The old feudal landowners. The church. The Communists and their New People's Army. The Moslems. Labor. The peasant organizations. The U.S. government. As I talked with Father Carroll and others, the number of teams kept growing, and the divisions in each of them broke down to individual ambitions.

It is hard, for instance, to find a political figure not switching parties and otherwise plotting to succeed President Aquino by fair means or foul. The new president is already being undermined and betrayed everywhere. Even members of her own family are being charged with cashing in on shady deals involving gambling casinos and such.

The U.S. game plan seemed evident to me, if not to the many Filipino leaders who are convinced that Washington is a two-faced monster, willing to replace Corazon Aquino with a military-dominated government. That is wrong, I think. U.S. strategy is defensive: Protect Mrs. Aquino; protect U.S. bases.

President Aquino's moves seem to have become almost as simple: some economic growth with help from Washington; maintain what the Filipinos call "peace and order" by letting their army and police have their way in barangays and jungle villages. Things in the Philippines are not about to change much — at least not for the better — until Filipinos come together as a people and the Philippines grows up to be a nation.

Universal Press Syndicate.

How to Sell Continental Breakfast

By Jim Hoagland

BERLIN — At 7 A.M., I am not ready for the Brave New World of international trade. But there it is on the breakfast table, in the form of a box of Malted Shreddies, barking at me in red letters and four languages.

Volkoren Ontbijt met Mout, the box advises in Dutch. *Petit Déjeuner au Blé Entier et au Malt*, the French version murmurs. German and the Queen's English also convey the message that this is the breakfast all of Europe should be eating.

Not all that long ago, "Malted Shreddies" would surely have been sufficient. Export markets were organized around language and culture, with colonialism ensuring that trade followed certain easily plowed furrows. Market shelves in Kensington and Kenya were part of one culture, stores in France and Senegal another.

The European Community has changed that pattern dramatically, and exporters now routinely turn out polyglot wares as new trading empires leapfrog across national and cultural boundaries. Buy a portable hair dryer or a refrigerator in Europe today, and you get a multilingual customer instruction booklet that looks as if it has been designed by the United Nations.

This attention to the detail of language, culture and local marketing habits by America's trading rivals helps explain why the dollar's sharp fall has not done more to resolve the American trade dilemma. Countries running up trade surpluses have acquired and institutionalized habits that American firms still tend to ignore in selling abroad.

A mutation has occurred in the international trade system that the United States organized after World War II and dominated for 40 years. Skill and foresight have replaced raw power in the development of markets.

America's industrial and technological superiority underpinned Washington's decision to reject the proposal of an International Trade Organization to complement the World Bank and the International Monetary Fund. In supporting the Marshall Plan and free economic zones, the United States was doing well by doing good.

In the Reagan years, the system somehow lurched out of American control and has suddenly come to resemble a Frankenstein's monster that threatens to smother its creator under trade deficits. Japan, West Germany and a few other countries have pursued trade advantage with single-mindedness and skill, adjusting quickly to the new environment created by the dispersion of technology, the creation of global security markets and the ability of multinational firms to shift manufacturing facilities rapidly to lower-wage countries.

"The Japanese ambassador here would not bother Tokyo with a cable if [Janos] Kadar died," an American diplomat in Budapest said with a touch of admiration in his voice recently. "But if a South Korean trade delegation shows up in town, the entire embassy will be up late into the night cabling the meaning of it."

Hungary is a good example of a country that for most American firms is not important enough to bother with. While the big Japanese trading houses set up in Budapest and engineer seven-nation barter trades that bring small profits but a stable position for the future, U.S. business has no significant representation.

The same is true in points as diverse as Baghdad or Warsaw. U.S. trade with Iraq has doubled in 18 months but Japanese trading houses handle the bulk of U.S. exports arriving in Iraq, U.S. Embassy statistics show. In Warsaw, the Japanese are negotiating their way into an auto assembly plant that will produce no immediate profit but will provide a beachhead, they seem to hope, into the difficult East European market in the future.

Lilliputians can sneak into corners where Gulliver is too big to go, of course. But the continuing U.S. trade problems are more serious than that. In the Reagan years the United States has come to be perceived abroad as an unreliable trading partner.

The unprecedented number of trade sanctions, from Nicaragua to South Africa, that the United States has imposed in six years reflects an outmoded economic egotism just as surely as does corporate America's unwillingness to work intensively on the ground abroad. So does Treasury Secretary James Baker's willingness to tear up G-7 monetary agreements when they become inconvenient for him.

Even at 7 A.M., the unwritten message on the British cereal box is loud and clear. It's a different trading world, America. Time to go to work.

The Washington Post.

100, 75 AND 50 YEARS AGO

1887: Fires in America

NEW YORK — The terrible forest fires are still raging in the West. News from Arkansas and Texas indicates no abatement. In sections remote from telegraph or railway stations it is feared that terrible loss of human and animal life occurred. In southwest Missouri the timber regions are ablaze. No fog was ever denser than the smoke at St. Louis last night [Nov. 21]. Forests along the banks of the lower Mississippi are on fire. The conflagration is so fierce and the smoke so dense that steamers cannot run at night. Railway traffic has been obstructed in consequence of the trestles being on fire.

1912: Customs Dispute

PARIS — A board meeting of the British Chamber of Commerce, Paris, was held yesterday [Nov. 22]. It was resolved that representations be made to the authorities against the proposed change in the hours of Paris Customs houses. Under the change in question the unloading of imported goods would be suspended from noon until 2 P.M., with the result that it would be impossible to re-despatch on the same day fast-goods traffic destined to points south of Paris.

1937: A New Generation

LONDON — H.G. Wells, returning to Plymouth today [Nov. 22] from a lecture tour in the United States, told reporters that young Americans have had enough of "pompous old gentlemen with rhetorical phrases" and are putting young men into public office. "I have noticed that there is a tendency to have younger mayors of about thirty-five to forty instead of old duffers of fifty-five to sixty," Mr. Wells said. As for the Wall Street slump in America, Mr. Wells feels that it is simply a natural continuation of the 1929 depression. "Many corporations are over-capitalized and the twentieth century is paying for the extravagance of the nineteenth."

SHULTZ: *On-Site Inspection*

(Continued from Page 1)

clude President Ronald Reagan's new national security adviser, Lieutenant General Colin Powell.

In promising to send Marshal Akhromeyev, Moscow had signaled "you should see from that that we intend to finish" the treaty, Mr. Shultz said. U.S. negotiators have noted in the past that when Marshal Akhromeyev is present, there is usually much greater progress on detailed arms issues.

The U.S. inspection rights are in return for a precedent-setting Soviet agreement last week to permit U.S. on-site inspection of the Soviet assembly facility for SS-25 long-range nuclear missiles.

The SS-25 is not covered by the treaty banning medium-range and shorter-range missiles. But it is difficult to distinguish from the less powerful SS-20 missile, which is covered.

Washington has demanded the right to station inspectors at the Soviet SS-25 facility for 13 years to ensure that it does not continue to turn out SS-20s once they are banned. The Soviets demanded the right in return to station inspectors at a U.S. plant "of comparable value."

"We have to recognize that just as we want to see what's going on there, they want to see what's going on here," Mr. Shultz said. "That's fair enough."

He said that the Reagan administration has approved an offer that it believes the Soviets will accept.

He would give no details other than to say that it involves observation of the production of a missile or key component. But other officials said the U.S. offer is for long-term inspection of a ballistic missile facility. Moscow included the site on a recent list of facilities of interest to it.

The Soviets originally insisted on inspecting the General Dynamics Corp. plant in San Diego. It manufactures ground-launched cruise missiles, which are covered by the INF treaty, and sea-launched cruise missiles, which are not covered but are very similar.

The United States rejected this proposal several weeks ago because of the military secrets involved.

While seeming to be confident that a compromise could be worked out, some of the American delegates were uncertain that the Soviets would quickly accept the U.S. proposal.

Mr. Shultz indicated that inspection and verification issues are foremost among those remaining to be settled. He said that compared with the state of the negotiations this spring, the remaining issues constitute only "a detail."

Beyond INF, Mr. Shultz said his talks with Mr. Shevardnadze will cover a broad range of issues in preparation for the meeting between Mr. Reagan and the Soviet leader, Mikhail S. Gorbachev. These include:

- A strategic arms treaty. Mr. Shultz said he believes "it is possible" to negotiate and ratify such a far-reaching pact in 1988, and that it is very important that "we should do everything we can." A strategic arms pact, including an accord on anti-missile activities such as Mr. Reagan's Strategic Defense Initiative, is expected to be the most important and contentious issue at the summit meeting.
- A Soviet withdrawal from Afghanistan. Mr. Shultz said that U.S.-Soviet discussions on this issue have been "increasingly frank and realistic." He suggested that United States might accept the lower end of the seven- to 12-month time schedule for troop withdrawals put forward by a Soviet official last week.
- Mr. Gorbachev's schedule in Washington. Now that plans have collapsed for the Soviet leader to address a joint session of Congress, Mr. Shultz said that Mr. Gorbachev, must have "conversational-type contact" with members of both houses, and especially with senators from key committees that would have to ratify any INF pact.

Ex-Governor Folsom Dies In Alabama

New York Times Service

NEW YORK — James E. Folsom, 79, a Democrat who served twice as governor of Alabama, died Saturday at his home in Cullman, Alabama.

Mr. Folsom, a colorful figure in Alabama politics for nearly half a century, tried repeatedly to win election again, losing in his final attempt in 1982, when George C. Wallace won a fourth term. By then, Mr. Folsom was legally blind and nearly deaf.

He said he preferred the nickname Big Jim because of his size: he was 6 feet 8 inches (2.05 meters) tall and weighed 245 pounds (111 kilograms). He had nurtured a homey, country-boy image and had built a career as an advocate of the poor and the disenfranchised and as a battler of the "big mules," the state's industrialists and financiers.

Critics accused him of excesses with alcohol and women, said he was a wasteful and indecisive administrator and charged that his bumpkin antics degraded the governor's office.

In the segregation era in which he was governor, when Alabama had a reputation for deep-seated racism, Mr. Folsom was regarded as a moderate or liberal on racial issues. Although he once said in a speech that if he had anything to do with it there would be "no integration while I am governor," he later said that racial change was inevitable.

RUNNING FOR OFFICE — Members of opposition parties jogged on Sunday through Taipei to gather support for their candidates for seats in the legislature. Yao Chia-wen, center front, the chairman of the Democratic Progressive Party, leads the group. The event was the final lap of nine days of similar demonstrations.

DEFICIT: *Leaders Cautiously Predict Congress Will Pass $76 Billion Plan*

(Continued from Page 1)

Reagan has effectively agreed to do what he said he would never abide: raise taxes to finance higher government spending, both military and nonmilitary.

They say the spending cuts envisioned in the accord are based on shaky assumptions and, as a result, the plan will not instill confidence on Wall Street or in foreign capitals. It would be better, they contend, to kill the agreement and implement the automatic Gramm-Rudman cuts.

"It is not going to be easy," Mr. Michel said on an ABC-TV program. "And we are just going to be starting the selling process."

He promised to work for the plan. "I have got to stick with what we have got as a bare-bones minimum," Mr. Michel said.

The budget accord calls for $9 billion in as-yet-unspecified new taxes in the current 1988 fiscal year and $14 billion next year. Mr. Wright said the taxes would be similar to those spelled out in separate tax-increase bills passed by the full House and the Senate Finance Committee last month. Both houses are controlled by the Democrats.

"If you take the House-passed bill, and the bill that has been reported from the Senate committee, you find about $8.5 billion of identical recommendations," Mr. Wright said. "So, you don't have to wonder very much."

"Those taxes incidentally do not impact on low-income or middle-income Americans," he said. "They tie up some loopholes that had been left gaping for corporate taxes. They have a minimum corporate tax that is required. They place a ceiling upon the amount that one may take in interest deductions on home mortgages of over $1 million, and, surely, that doesn't really hurt anybody."

A provision in the House and Senate Finance Committee bills also would repeal a special accounting system, known as the completed-contract method, favored by defense contractors, at a savings of $800 million.

Representative Dan Rostenkowski, Democrat of Illinois and chairman of the House Ways and Means Committee, said Congress would probably stick to the framework of the tax-increase bills.

"I should imagine the telephone excise tax is something that we could extend and raise some money," said Mr. Rostenkowski, who helped negotiate the accord. "The completed-contract method of accounting in the defense area — that saves us a tremendous amount of money." He termed it a "bookkeeping change."

Mr. Rostenkowski called the package a "baby step in the right direction."

Howard H. Baker Jr., the White House chief of staff, said he had hoped the plan would include greater savings. But he said, "I think we ought to celebrate the victory rather than to wonder about what might have been, and I think the victory is substantial."

RIGHT: *Anti-Refugee Discord Spreads in West Europe*

(Continued from Page 1)

problems like drug addiction, crime and, lately, acquired immune deficiency syndrome.

Joseph Michel, the Belgian interior minister, caused a furor last month when he commented on the situation in Brussels, where Moroccan and other immigrants make up a quarter of the population.

"We risk being, like the Roman people, invaded by barbarians, who are the Arabs, Moroccans, Yugoslavs and the Turks," Mr. Michel said, "people who come from far away and who have nothing in common with our civilization."

Mr. Michel's remarks came during the campaign for legislative elections next month, in which the immigrant issue is expected to figure prominently.

Drawing inspiration from the success of Jean-Marie Le Pen's National Front in France, a Brussels doctor named Daniel Ferret has founded a Belgian National Front that will contest seats in the capital and the southern city of Tournai.

"We are afraid that in the year 2000 the immigrants will be in the majority in this country and they will be the masters," Mr. Ferret said. "We want to first send home the illegal immigrants, then the long-term unemployed, and finally to get rid of those who are taking jobs away from Belgians."

Mr. Ferret praised Mr. Le Pen, who has recently been sharply criticized in France for dismissing the Nazi gas chambers as "a minor detail" of World War II.

In Norway and Denmark, the immigrant question has been appropriated by populist groups that have traditionally railed against taxes and the intrusions of the welfare state.

In elections in Denmark in September, the ultra-right Progress Party jumped from four to nine seats in the 175-member Parliament after campaigning against an influx of asylum-seekers from Iran and Lebanon.

"We are not a wealthy country," said Pia Kjaersgaard, the leader of the Progress Party, "and it costs a lot to take care of these people, who come from countries that are culturally very different from Denmark. Compared to 20 years ago, there are many fewer reasons today to be proud to be Danish."

In Sweden, a requirement that a party have at least 4 percent of the popular vote to win parliamentary representation has prevented anti-immigrant groups from being heard in Stockholm.

But in southern Sweden, one xenophobic group made it into the city council in Malmo, while in the town of Sjobo another faction has forced a referendum to be held on accepting more immigrants — a move that may become a precedent for other municipalities.

"In a way you could say that the consensus in Sweden has been not to discuss too much this problem," said Tomas Hammar, an expert on immigration issues at the University of Stockholm. "But we are on the border of the numbers that can be accepted, and I guess we'll have to get into a discussion of how we can make our policies more restrictive."

In West Germany, a nationalist, anti-immigrant group called the Republicans, led by a former member of the Nazi SS, startled the country's political establishment by winning 3 percent of the popular vote in state elections in Bavaria a year ago. Two months ago, a similar formation captured a seat in the Bremen state parliament.

Such electoral successes have strengthened the hands of those in Chancellor Helmut Kohl's center-right coalition who want to make it even tougher for asylum-seekers to enter West Germany.

Stern government action has at times undercut the appeal of anti-immigrant groups. After the Swiss government tightened its immigration regulations, a coalition of anti-foreigner groups last month lost two of the five seats it had held in the 200-member lower house of Parliament.

MARKET: *Meat Wholesalers Test the Limits of Grime*

(Continued from Page 1)

the blue-smocked bummarees to haul off beef or bird.

Those who run the market make no bones about the problems. A recent report by the Corporation of London, the municipal authority that has managed Smithfield since it opened in 1868, put it bluntly: "The two main Meat Markets no longer satisfy modern hygiene standards, and the enforcing authorities have indicated that they can stay their hands only if steps are being taken to effect improvements."

After the report, city officials agreed last summer to an overhaul, beginning next October, at a projected cost of £15.5 million over four years, according to Douglas Noakes, Smithfield's superintendent and a senior employee of the Corporation of London. He said that no direct threat of closure had been made by the health department but that it would take stern measures promptly if major improvements were not carried out.

Wholesalers and union workers support modernization, but, at the same time, some unions are concerned about job security.

"This place has been home for workers and their families for 120 years — you just can't change it overnight," said Derek Sylvester, a union representative. "What's been proposed is a brutal cutting-off of the head. We prefer to be rubbed down, eased into the 20th century."

Though he understands union concerns, Mr. Noakes is eager to see Smithfield emerge into the 20th century, if not the 21st, quickly.

"While no one has ever, to my knowledge, traced any contamination to Smithfield," he said, "I think the environmental health officers throughout the country are concerned that there mustn't be any breaks in the chain of hygiene, that is, from the slaughterhouse to the retailer."

Mr. Noakes acknowledges that pressure on Smithfield to clean up also stems from the efficient and hygienic food distribution systems established recently by several large British supermarket chains, such as J. Sainsbury PLC and by the general retailer, Marks and Spencer PLC.

Such chains, which have eroded a significant chunk of the market share of Smithfield wholesalers, have circumvented wholesalers and other middlemen, setting their own rigid standards for packaging directly with farms and slaughterhouses under contract.

Philip Andrade, whose father is the wholesaler, noted that Smithfield retains a certain charm.

"Despite the fact that things look old-fashioned, Smithfield is still most wholesome," he said. "The Victorians, who built the market, used every possible law of air circulation so that even at the height of summer you'll see few big flies in here."

The Corporation of London opted for a major refurbishment, instead of closure or transplant to a new site, because of employment considerations and also because Smithfield offered a colorful and historic dimension to the rather drab goings-on of London's square-mile financial district, called The City.

Demolishing Smithfield to build anew was never a question. The building is a "listed," or protected, structure, deemed by municipal officials to be of historical and architectural interest.

GLASNOST: *Seeking Consensus*

(Continued from Page 1)

full by the Soviet press two days later.

But with dismay spreading in Moscow over Mr. Yeltsin's humiliation, the government appointed Mr. Yeltsin last week to a position in the State Committee for Construction with the rank of minister. On Friday, Tass reported a Gorbachev speech to the party leadership in which he castigated equally overly zealous prosecution of reforms and conservative resistance to them.

These moves were quoted by some in the five-member Soviet delegation to the Aspen conference as signals that Mr. Yeltsin's downfall did not presage a general retreat on economic restructuring and the opening of new debates about Soviet history and government accountability.

"Yeltsin was one exponent of ultraspeed," said Mr. Menshikov, who worked in the Central Committee's Information Department until a year ago. "The leadership is proceeding on consensus speed."

"This was a concrete case, involving what is permissible from a political tactical point of view," said Mr. Berezhkov. "Perhaps if Yeltsin had been speaking elsewhere, at some other time, the results might have been different."

Since Mr. Yeltsin's remarks on Oct. 21 have not been published, none of the Soviet participants would discuss what he may have said or done to provoke a collective loss of temper at the Central Committee meeting. Nor would they speculate why Mr. Yeltsin's speech continued to be suppressed.

But some of the Western Kremlinologists gathered indications from Soviet sources that Mr. Yeltsin, boiling over his inability to get the Moscow bureaucracy to respond to his efforts at change, angrily persisted in submitting his resignation on Oct. 21 despite an admonition from Mr. Gorbachev to "think this over."

Feeling personally betrayed by Mr. Yeltsin's refusal to defer his complaints until after the November celebration of the 70th anniversary of the Bolshevik revolution and the upcoming summit meeting in Washington, Mr. Gorbachev then reportedly decided to make an example of Mr. Yeltsin for disregarding party discipline.

Soviet delegates characterized opposition to Mr. Gorbachev's programs as being centered in "bureaucratic sabotage of the reforms" rather than involving political opposition within the Politburo.

"The Yeltsin affair has made it more difficult to forecast what is going to happen in the Kremlin but easier to understand what is going on there," said Hélène Carrère d'Encausse of France. "It is more evidence that Gorbachev has become much more cautious as there has been more disagreement about how far and how fast change should be pushed."

Moscow to Raise Prices for Food Starting in 1990

The Associated Press

MOSCOW — The Soviet Union must increase food prices to raise the money it needs to improve inadequate food supplies, the chairman of the State Commission on Prices said Sunday.

Valentin Pavlov, writing in the labor newspaper Trud, said the Soviet Union could not increase the amount of money spent on subsidizing food prices if it wanted to improve its agricultural sector. Price reforms will begin in 1990, he said.

To provide better and more plentiful food supplies, Soviet authorities are trying to improve equipment, living conditions and worker discipline on collective and state farms.

The government now has no option except to raise prices to get the money it needs for increased food production, Mr. Pavlov said.

The Soviet Union first began subsidizing food prices in 1965. Since then, the subsidies have grown to about $80 billion a year.

Police Report Due On London Fire

Reuters

LONDON — The police plan to disclose Monday the cause of a fire that killed 30 persons at King's Cross Underground station here last Wednesday.

Transport police said Sunday that the cause had been established. They promised an announcement at noon Monday.

Investigators have already said that the fire broke out near the end of the evening rush hour one-third of the way up a wooden escalator built 48 years ago. Forensic scientists have ruled out arson.

Spanish King Visits Nepal

United Press International

KATHMANDU, Nepal — King Juan Carlos of Spain and Queen Sofia arrived in Nepal Sunday for a four-day state visit.

985 Released in Nicaragua Under Regional Peace Plan

Washington Post Service

TIPITAPA, Nicaragua — Under the terms of a regional peace plan, the government freed 985 pardoned political prisoners Sunday, by far the largest single-day release in eight years of Sandinist rule, while a broader amnesty remained in abeyance.

At Tipitapa, a minimum-security prison farm on the outskirts of the capital, the Sandinist authorities lined up about 590 prisoners on one side of a field and their overjoyed family members on the other.

After a brief ceremony, the ropes went down and the two sides rushed together, laughing and weeping with relief. The other prisoners were freed in ceremonies in several provinces.

All were pardoned Nov. 5 by President Daniel Ortega Saavedra in a speech marking 90 days since the Aug. 7 signing of a peace accord in Guatemala.

The government freed the prisoners to show it will continue to move toward compliance with the accord.

But a general amnesty to liberate all but a few political prisoners, which was approved last Wednesday by the National Assembly, takes effect only when an international monitoring commission finds that the other Central American countries have stopped all aid to the U.S.-backed rebels, commonly known as contras.

Lieutenant Commander Alvaro Guzman, head of the national prison system, said prisoners linked to killings were ruled out of the pardon. Some prisoners were rewarded on the basis of good conduct in jail, or selected because they were elderly, in ill health, or nearing the end of their sentences, Sandinist officials said.

Most of those released were rounded up in recent years on suspicion of collaborating with the rebels. But they also included about 200 former members of the National Guard of the dictator Anastasio Somoza, including a former colonel.

CUBA: *Refugees Riot at U.S. Prison*

(Continued from Page 1)

Cuban immigrants annually, the State Department said.

The accord, dealing with issues that long have been irritants in U.S. relations with Mr. Castro, was signed in December 1984.

It stemmed from U.S. efforts to get rid of 2,746 criminals, mental defectives and other "socially unassimilable" persons sent to the United States during the 1980 exodus and from Cuba's desire to reduce its "surplus population" at a time when it was experiencing economic difficulties.

However, Mr. Castro suspended the agreement five months later when the Reagan administration opened Radio Marti, a U.S.-controlled, Spanish-language station whose broadcasts of news, commentary and entertainment are intended as a "surrogate" for Cuba's Communist-controlled media.

Last year, Cuba indicated it might be willing to drop its insistence that Radio Marti be dismantled and settle instead for an agreement permitting it to beam propaganda broadcasts to the United States.

However, subsequent talks broke down when Cuba made demands that the United States contended would cause major disruptions to American stations.

State Department officials said Friday that, at Cuba's request, talks were held secretly last week in Mexico City. They resulted in a decision "to resume implementation of the 1984 migration agreement in all of its aspects immediately."

Charles E. Redman, a State Department spokesman, said negotiations would continue on finding "a mutually acceptable arrangement" for enabling Cuba to make broadcasts to the United States.

The problem of the undesirables arose when thousands of Cubans, driven by economic hardship, left their island homes from Mariel on a fleet of small vessels sent by relatives and friends in Florida.

The Castro government emptied many of its jails and mental hospitals and put the inmates on the departing boats.

Those with criminal records and serious mental disorders put heavy strains on police and welfare resources in Miami and other Florida cities and led to demands by local authorities that the federal government send them back.

Mr. Redman said that of 2,746 persons who were declared ineligible to enter the United States legally, 201 were returned to Cuba in early 1985 before the agreement was suspended. In regard to the roughly 2,500 still here, he said:

"Renewed implementation means that Cuba will once again accept the return of those individuals who have committed serious, nonpolitical crimes in Cuba or who suffer from serious mental disorders."

The other part of the agreement calls for permitting annual emigration to the United States of 20,000 Cubans other than those with close relatives already in the United States.

It also establishes special categories for political prisoners that could affect about 3,000 others and for close relatives of U.S. citizens.

4 Die as Minaret Collapses

Reuters

BAHRAIN — The minaret of an unfinished Jeddah mosque collapsed, killing four persons, the newspaper Okaz reported Sunday.

REBEL: *Salvadoran Ends Exile*

(Continued from Page 1)

ered by the amnesty whether they like it or not.

The return of Mr. Zamora, a former leading member of Mr. Duarte's Christian Democratic Party who fled El Salvador in 1980 after his brother was murdered by a death squad, has heightened political tensions here. Rightist leaders said before Mr. Zamora's arrival that he should be barred from entering the country unless he publicly broke with the Farabundo Marti National Liberation Front, or FMLN, an organization of five guerrilla groups that has been waging an insurgency for the past eight years.

Mr. Zamora and other leaders of the Democratic Revolutionary Front coalition of non-Marxist parties, unions and other groups have refused to split formally from the guerrillas. But their return from exile marks a clear divergence from the rebels' goal of achieving victory through armed struggle.

The president of the Democratic Revolutionary Front, Guillermo Ungo, plans to return Monday accompanied by a large international delegation.

Although there were no incidents at the airport, several recent killings and kidnappings have raised fears that rightist death squads are back in business and upset that leftist leaders are returning. Death squads have been blamed for about 40,000 of the more than 60,000 deaths in the civil war, but killings attributed to them have dropped off in recent years.

Uneasiness has also surfaced within the powerful armed forces over the politicians' return.

"It is possible they are only coming for political work, but we do not trust them," said one top officer who asked not to be identified. "What we fear is that their return is a Trojan horse for the benefit of the FMLN."

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

November 19

Dollar Straights

Issuer	Con	Mat	Price	Yld Mat	Spd Trsy
Australasia					
Aust Com Bk	12¾	89	106¼	8.69	+77
Aust Com Bk	10	93	101⅞	9.57	+87
Australia	11	95	105⅝	9.83	+95
Australia	11½	95	108½	9.89	+98
Australia	11¼	00	105⅝	10.41	+141
N S Wales Trsy	11¾	90	105½	9.07	+100
New Zealand	7¼	89	97⅝	8.87	+98
New Zealand	7¾	90	97	9.08	+97
New Zealand	7½	91	94¾	9.18	+80
New Zealand	7⅜	91	94⅝	9.30	+90
New Zealand	8	93	93	9.66	+104
New Zealand	8¼	93	94½	9.59	+101
New Zealand	8	97	87½	10.11	+110
Qantas	10⅝	95	102⅛	9.94	+105
Qantas	8⅝	96	92⅝	10.00	+106
Queensland	11⅞	89	104⅝	8.94	+98
Queensland	8	91	96⅛	9.30	+95
Queensland	7¼	92	92⅝	9.52	+108
Queensland	10¼	95	101⅝	9.92	+102
St Bk Sth Aust	10¼	92	103⅛	9.30	+87
St Bk Sth Aust	9¼	92	98	9.74	+118
Sth Aust Gov	8¾	93	96	9.72	+114
Victoria Sec 5	10	92	102⅛	n.a.	n.a.
Victoria P	11⅝	92	107⅜	9.47	+103
Victoria Sb	9½	93	94⅝	9.84	+121
Victoria Publ	8⅝	96	89¾	10.17	+119
Canada					
B C Hydro	15¼	92	121	9.41	+93
B C Hydro	11¾	93	109⅛	9.63	+95
Canada	11½	90	105⅞	8.55	+51
Canada	10	95	102⅝	9.56	+64
Canada	9	96	97½	9.44	+50
Canadair	12½	89	106⅞	8.55	+61
Canadian Pacif	7½	96	84¾	10.27	+132
E D C	12	89	105⅝	8.55	+62
E D C	10	90	102⅝	8.67	+56
E D C	8½	92	97⅞	9.09	+65
Farm Credit	7¾	96	88	9.88	+92
Manitoba	11¾	89	105¼	8.72	+78
Manitoba	10½	90	103⅝	9.02	+92
Prov Albert	7⅝	91	94¾	8.98	+57
R B C	8⅝	93	93⅛	10.03	+141
Saskatchew	11⅞	89	105⅞	8.50	+56
Saskatchew	10¼	90	103½	8.95	+92
Saskatchew	7½	91	94½	9.32	+95
Saskatchew	8½	91	98¼	9.12	+83
Saskatchew	10¼	92	105	9.25	+82
Saskatchew	15	92	120½	9.39	+90
France					
B F C E	7¼	91	94¼	9.06	+67
B F C E	7	92	92⅝	9.19	+74
B F C E	7¼	93	90⅝	9.57	+96
B F C E	7⅝	96	88½	9.88	+91
B F C E	7¼	97	87¾	9.90	+90
B N P	8¾	93	95¼	9.91	+133
C A E C L	9⅝	95	95	10.32	+142
C C C E	7⅝	91	93⅝	9.85	+65
C E P M E	7⅜	91	94⅝	9.04	+67
C E P M E	10⅝	91	102	9.48	+110
C E P M E	7¼	92	93⅛	9.21	+77
C N C A	10	90	102½	8.96	+77
C N C A	11¼	90	104⅞	8.89	+90
C N C A	7¼	91	93¼	9.32	+91
C N C A	13¼	91	111⅜	9.26	+92
C N C A	11½	92	107	9.43	+99
C N C A	7½	94	87⅝	9.85	+110
C N C A	7¼	96	85⅝	10.13	+118
C N E	11¾	95	110⅛	9.71	+85
C N T	7	91	93¼	9.07	+66
C N T	13¾	91	113½	9.10	+75
Cr Foncier Ew	10⅞	91	105¼	9.01	+68
Cr Foncier Ew	12½	92	111⅞	9.23	+75
Cr Foncier	7½	94	90⅞	9.53	+80
Cr Lyon F/P	7¾	93	91¼	9.80	+114
Cr Lyonnais	9	91	99⅝	9.11	+83
Credit Nat	7¼	91	93⅝	9.12	+71
Credit Natl	7¾	92	93⅛	9.21	+76
E D F	7¾	93	92½	9.43	+71
E D F	11⅛	93	107⅝	9.30	+78
E D F	10	95	100½	9.88	+154
S N C F	11½	93	108⅝	9.34	+76
S N C F	7¼	94	89⅞	9.48	+74
S N C F	7¾	96	88¼	9.83	+88
Japan					
All Nippon Air	9⅝	97	93¾	10.42	+139
Bk of Tokyo	11	90	103⅞	9.04	+100
Bk of Tokyo	11⅜	90	106⅞	9.18	+95
Bk of Tokyo	8	93	91⅞	9.99	+128
Bk of Tokyo	8⅝	96	89⅝	10.37	+143
Dai-Ichi	10⅝	90	102¾	9.11	+98
Dai-Ichi	12¼	90	107⅞	9.20	+101
Dai-Ichi	8⅛	91	96½	9.36	+106
Daiwa 2	7⅞	93	90¼	10.09	+136
Dkb Asia	8⅛	91	96¼	9.35	+99
Dkb Asia 2	8	93	91⅞	10.00	+132
Fuji B & T	7⅝	91	94⅞	9.39	+100
Fuji Intl	10⅞	90	103¾	9.06	+98
Mitsub Finance	11⅞	90	104⅞	9.12	+101
Mitsub Fin 2	7⅞	93	90⅝	10.07	+136
Mitsub Tst 2	7¾	93	89⅞	10.06	+134
Mitsubishi	7¼	92	91½	9.84	+142
Mitsui Tst 2	7¾	94	89½	10.09	+134
N C B	11	90	103¼	9.17	+109
N C B	11⅞	90	106⅞	9.13	+91
N C B	7½	91	93¼	9.58	+117
N C B	8½	91	97⅞	9.24	+94
N C B	8	93	91⅞	10.03	+138
N C B	10⅝	95	101	10.16	+126
N C B	10⅝	95	102⅛	10.22	+130
Nippon T&T	7½	94	90⅝	9.67	+92
Nomura Intl	7¼	92	91⅞	9.71	+126
Panasonic	9	92	98	9.52	+103
Sanwa Intl Fin	11½	92	106⅝	9.66	+119
Sumitomo	10⅞	90	103⅝	9.03	+94
Sumitomo 2	7⅝	91	94½	9.48	+108
Sumitomo	12¾	91	109⅝	9.38	+106
Sumitomo Bk	7½	92	92¼	9.75	+131
Sumitomo	11¼	92	107	9.65	+121
Taiyo Kobe 2	7⅜	94	89½	10.11	+137
Tokai Asia	11½	95	106¼	10.24	+135
Tokai Bank	7½	91	94⅛	9.55	+122
Toyota	8⅝	90	99⅛	8.98	+87
Toyota	8⅝	90	99⅞	8.96	+79
Toyota	7⅝	92	92¼	9.45	+102
Yasuda Tst	8½	93	93⅝	9.96	+133
Yasuda Tst	10½	95	101⅛	10.26	+136
Scandinavia					
Denmark	7	89	97¼	8.71	+83
Denmark	11½	90	105½	8.86	+78
Denmark	8¼	91	97¾	9.15	+79
Denmark	12	91	107⅞	9.18	+89
Denmark	13	91	110¼	9.37	+104
Denmark	13¼	91	111½	9.50	+112
Denmark	7⅞	92	91⅞	9.54	+111
Denmark	11½	92	106⅝	9.50	+106
Denmark	7¾	93	92⅛	9.66	+106
Exportfinans	7¼	92	93¼	9.27	+85
Exportfin	11¼	92	106⅛	9.33	+89
Exportfin	7⅝	93	91⅝	9.56	+90
Exportfinan	7⅝	93	91¼	9.60	+88
Exportfinan	7⅝	96	87½	10.04	+105
Exportfin	10	96	99⅝	10.15	+123
Forsmarks	8¾	91	97	9.85	+158
N I B	7½	91	94⅛	9.19	+79
N I B	8⅝	91	96⅝	9.44	+115
N I B Ser A	9⅝	96	96⅝	10.18	+124
Norsk Hydro	7	92	91	9.75	+134
Norsk Hydro	10	93	99⅝	10.07	+141
Norsk Hydro	8	96	87⅜	10.31	+136
Norsk Hydro	8¼	97	87½	10.38	+137
Norway	7¾	91	94⅝	8.99	+62
S A S	10⅝	95	99¼	10.27	+135
S E K	6¾	90	94	9.74	+170
S E K	7¼	91	93⅞	9.12	+71
S E K	8⅝	91	99¼	8.87	+58
S E K	10	92	103¼	9.06	+68
S E K	7½	93	92	9.43	+83
E E C	7	91	93¾	8.92	+61
E E C	8⅝	91	99¾	8.88	+61
E E C	7¼	93	91⅝	9.25	+68
E E C Oct	12	93	111½	9.34	+66
E E C	8¼	96	92¾	9.62	+67
E E C	9⅝	96	97½	9.57	+63
E I B	11½	90	107⅛	8.73	+50
E I B	11	91	105⅞	8.83	+54
E I B	10¼	92	102⅝	9.54	+112
E I B A	7⅜	93	92⅛	9.39	+67
E I B	7¾	93	92⅝	9.43	+73
E I B	10¾	93	103⅝	9.83	+128
E I B	11⅞	93	111	9.34	+66
E I B	10¼	94	102⅛	9.81	+126
E I B	12⅝	94	115½	9.51	+72
E I B	12	95	111¼	9.68	+80
E I B	7¾	96	88⅝	9.79	+83
E I B	9⅝	97	97⅛	9.73	+69
Eurofima	7¾	97	86	9.05	+69
Eurofima	9¼	96	96⅝	9.85	+91
I A D B	9⅞	95	100⅝	9.75	+83
I A D B	10½	95	103⅝	9.84	+94
I A D B	7⅝	96	86⅞	9.92	+95
World Bk	10⅞	90	104¼	8.58	+60
World Bk	11¼	90	106⅝	8.65	+46
World Bk	11½	90	106½	8.64	+50
World Bk Jan	7	92	93⅝	8.96	+54
World Bk	11	92	106½	9.05	+62
World Bk	10⅝	93	106¼	9.20	+61
World Bk	12	93	111⅜	9.34	+68
World Bk	12¼	94	113¼	9.56	+71
World Bk	12⅝	94	116	9.54	+70
World Bk	10⅛	95	102¾	9.58	+69
World Bk	7¾	97	88⅝	9.69	+68
World Bk	9	97	95⅝	9.74	+71
World Bk	8½	16	83	10.36	+122
World Bk	9¼	16	89¾	10.37	+122
World Bk	9⅝	16	94¼	10.38	+122
United Kingdom					
Abbey Natl	7½	92	92¾	9.65	+122
Barclays	10⅛	90	102⅝	9.07	+92
Barclays	10⅝	95	102¾	10.10	+118
BP Capital	9⅝	93	101½	9.23	+69
Brit Petro	11⅛	92	104⅛	n.a.	n.a.
Brit Tele 8⅞94	9¾			9.53	+70

Issuer	Con	Mat	Price	Yld Mat	Spd Trsy
Equit Life	10⅝	92	101⅛	9.78	+180
Ford Motor	7¼	89	97⅞	8.82	+73
Ford Motor	8	89	98⅝	8.80	+105
Ford Motor	8¾	90	99⅞	8.77	+66
Ford Motor	11⅞	90	105¼	8.63	+62
Ford Motor	7⅝	91	95	9.16	+75
Ford Motor	10½	91	104¼	9.16	+76
Ford Motor	12⅞	91	107½	10.38	+87
Ford Motor	11⅜	92	108	9.42	+97
Ford Motor	10½	93	102⅞	9.85	+122
Ford Motor	12	95	109	10.16	+96
Ford Motor	11	96	105⅝	9.93	+102
G E C A	9½	92	100⅝	9.46	+145
G E C	8	93	94	9.46	+87
G E C	8¾	93	97⅛	9.45	+88
General Re	11½	92	104⅝	10.22	+103
GMAC	8	89	98¾	8.77	+93
GMAC	8¼	89	99⅝	8.80	+108
GMAC	10¼	89	101⅝	8.98	+136
GMAC	7	90	96¼	8.79	+74
GMAC	8⅛	90	98⅝	8.81	+67
GMAC	7⅝	91	95¼	9.15	+78
GMAC	8⅞	91	100	8.85	+58
GMAC	10	91	102⅝	9.26	+86
GMAC	7⅝	92	93⅝	9.28	+84
GMAC	10	92	101¼	9.65	+143
GMAC	10¼	92	101⅞	9.75	+143
GMAC	8½	93	95½	9.56	+93
GMAC	9¾	93	100⅝	9.51	+97
GMAC	8	94	91½	9.78	+96
GMAC	9⅛	96	96⅝	9.77	+83
Household F	8½	90⅝	99999	n.a.	
I B M	12¼	92	107⅝	10.22	+60
I B M	7⅝	93	93⅝	9.11	+41
I B M	10⅝	95	103¾	9.55	+92
I B M Apr	6¾	90	96¼	8.54	+49
I B M Mar	6¾	90	96½	8.47	+44
Kimberley	12	94	111¼	9.71	+86
Liberty Mut	8½	96	91⅞	10.02	+106
Lockheed	7¼	89	97⅝	8.72	+84
Metlife	7⅝	96	86⅝	10.85	+107
Many Fund	8¼	96	89⅝	10.11	+113
Morgan Gty	12¼	89	104⅛	8.82	+75
Morgan Gty	12⅝	89	105⅝	8.94	+103
Morgan Gty	7	90	96	8.98	+95
Morgan Gty	7¼	91	93¾	9.18	+77
Morgan J P	10⅝	92	104	9.33	+82
New England	11¾	95	107½	10.21	+156
Pepsico	7¼	91	94⅞	9.04	+63
Pepsico	8⅝	91	95¾	9.90	+160
Pepsico	7⅝	93	91⅝	9.39	+78
Philip Mris	9½	89	100	9.49	+152
Philip Mris	10	95	100⅝	9.95	+103
Philip Mris	9⅝	98	97⅝	10.21	+116
Pillsbury	10¼	93	100⅞	10.12	+215
Proct & Gamble	9⅝	92	101	9.61	+134
Proct & Gam	10	95	102⅛	9.58	+109
Proct & Gam	9½	98	98¼	9.77	+72
Proct & Gam	9⅝	01	98⅝	9.83	+69
Prudential	7¾	91	96⅛	8.89	+53
Prudential	11⅞	92	104¼	10.53	+241

Issuer	Con	Mat	Price	Yld Mat	Cur Yld
Neste Oy	6½	92	101.00	6.25	6.44
Nord Lb Fin	6	01	85.25	7.80	7.04
Norpipe	6	89	101.15	5.35	5.93
Norsea Gas	7¼	88	99.75	7.51	7.27
Norsk Hydro	6¾	89	101.25	5.83	6.67
O E L E G	6½	95	102.25	6.13	6.36
Oest Donaukraf	8	94	106.65	6.71	7.50
Oslo	8¾	90	102.75	7.36	8.52
Oslo	7¾	93	104.65	6.66	7.41
Philips Lp Jun	8½	92	103.75	7.48	8.19
Pk Banken	5⅝	96	92.15	7.01	6.24
Portugal	7¾	92	106.25	6.35	7.36
Prudential Fin	6	97	95.00	6.72	6.32
Rabobank	7⅝	94	106.25	6.47	7.18
Rank Xerox	7½	93	104.55	6.45	7.17
Renault	8	90	105.35	5.63	7.59
S C N	7⅛	94	102.50	6.73	7.13
S C N	7	95	100.75	6.87	6.95
S C N	7¼	95	101.00	7.06	7.18
S D R	7⅜	93	102.50	7.29	7.68
S K F	7¾	89	103.05	5.07	7.14
S N C F	8⅝	92	107.50	6.61	8.02
S N C F	7⅞	93	109.25	5.78	7.21
S N C F	8⅛	93	107.50	6.57	7.56
Statoil	6½	89	103.25	3.79	6.30
Statoil	5⅝	93	100.50	5.51	5.60
Statoil	6¼	97	95.50	6.91	6.54
Stewoog	5½	96	93.75	6.48	5.87
Superfos	7	95	99.90	7.01	7.01
Sweden	8¼	89	101.85	7.24	8.10
Sweden	7⅞	94	107.00	6.50	7.36
Sweden	7¼	95	105.00	6.36	6.90
Sweden	6⅝	98	97.75	6.42	6.27
Swedish Export	10¼	91	105.00	8.68	9.76
TauernautobahN	9⅝	94	113.85	7.05	8.67
Thyssen	6⅞	95	98.00	7.09	6.89
Volkswagen	7¼	93	103.50	6.43	7.00
West Lb	5¾	98	89.75	7.16	6.41
Westl./Utrecht	6	97	92.50	7.13	6.49
Non-European					
Air Canada	9	92	111.50	6.11	8.07
Air Canada	7⅜	93	107.75	5.69	6.84
Amca	7⅜	92	102.15	6.85	7.22
Arab Banking	5½	92	102.15	4.95	5.38
Archer Daniels	6	97	90.50	7.42	6.63
Australia P/P	5¾	90	101.25	5.14	5.68
Australia P/P	5¼	91	100.00	5.24	5.25
Australia 1Ser	9⅜	91	111.00	5.53	8.45
Australia 2Ser	9⅜	91	110.75	6.28	8.47
Australia	7¾	92	107.25	6.00	7.23
Australia	6⅞	93	105.15	5.68	6.54
Australia	6¼	96	100.25	6.20	6.23
Australia	7¼	96	104.85	6.51	6.91
Bank of Tokyo	5¾	93	101.25	5.46	5.68
Bk America	5¾	90	99.75	5.84	5.76
Bk Nova Scotia	5⅝	96	91.00	7.07	6.18
Black & Decker	5⅞	94	92.90	7.18	6.19
C I B C	7	88	100.15	6.42	6.99

Issuer	Con	Mat	Price	Yld Mat	Cur Yld
World Bk Mar	6¼	16	86.00	7.45	7.27
Supranational					
A D B	5½	88	99.65	6.15	5.52
A D B	10⅝	89	110.25	4.90	9.75
A D B	7¾	91	106.25	5.61	7.29
A D B Apr	10	91	102.75	8.98	9.73
A D B	8¼	92	110.25	5.81	7.48
A D B Apr	9¼	92	110.35	6.45	8.38
A D B Aug	9¼	92	110.50	6.57	8.37
A D B	8½	93	109.25	6.56	7.78
A D B	7¾	94	106.60	6.44	7.27
A D B	8	94	108.00	6.50	7.41
A D B	6½	95	99.95	6.50	6.50
A D B	6⅛	96	97.25	6.54	6.30
A D B Apr	7¾	97	106.60	6.77	7.27
African Dev Bk	6¼	96	96.10	6.86	6.50
Council Europe	7¼	89	101.60	6.01	7.14
Council Europe	7½	89	102.00	6.30	7.35
Council Europe	8	92	106.75	6.26	7.49
Council Europe	8¼	92	105.35	6.93	7.83
Council Europe	8⅝	92	104.15	7.42	8.40
Council Europe	7⅞	93	105.15	6.66	7.49
Council Europe	8¼	93	102.75	7.65	8.03
Council Europe	8⅜	93	104.85	7.27	7.99
Council Europe	6⅛	94	99.75	6.16	6.14
Council Europe	7½	94	103.75	6.81	7.23
Council Europe	8¼	94	106.25	6.97	7.76
Council Europe	6⅝	95	102.00	6.29	6.50
Council Europe	7½	95	103.50	6.87	7.25
E C S	5⅜	90	99.75	5.35	5.26
E C S	8	90	107.25	5.02	7.46
E C S	7	92	102.25	6.44	6.85
E C S Jan	7½	93	104.25	6.49	7.19
E C S May	7½	93	104.25	6.53	7.19
E C S	9¾	94	105.00	8.66	9.29
E C S	7	95	102.55	6.56	6.83
E C S	6⅞	97	100.75	6.77	6.82
E E C	8	92	108.75	5.58	7.36
E E C	5⅜	93	99.70	5.44	5.39
E E C Jun	8¼	93	106.80	6.73	7.72
E E C	10⅛	93	106.75	8.61	9.48
E E C	8	94	104.25	7.20	7.67
E E C	9¾	94	105.25	8.63	9.26
E E C	7¾	95	102.10	7.36	7.59
E E C	7½	96	104.50	6.81	7.18
E E C	6½	97	99.35	6.59	6.54
E I B	6	89	102.10	4.65	5.88
E I B	7½	89	103.80	5.35	7.28
E I B Pp	7⅝	89	103.50	5.36	7.37
E I B	10	89	105.00	5.47	9.52
E I B	5⅛	90	99.65	5.41	5.27
E I B	6	90	101.25	5.51	5.93
E I B	7⅞	90	104.80	6.19	7.57
E I B Dec	9½	90	101.25	9.01	9.38
E I B	6½	91	104.25	4.98	6.24
E I B	8	91	109.80	5.44	7.34
E I B Apr	10½	91	103.25	9.29	10.17
E I B Aug	10½	91	104.75	8.91	10.02

Issuer	Con	Mat	Price	Yld Mat	Cur Yld
B F C E	9⅞	92	104½	7.95	9.19
B F C E	8⅞	93	108⅛	8.59	8.61
B F C E	9⅞	95	104⅝	8.96	9.44
B N P	7⅝	93	93¾	8.56	7.60
B N P	7⅞	93	97⅝	8.40	8.07
B N P	8⅞	95	100½	8.77	8.83
Bco Di Roma	8¼	93	97¼	8.88	8.48
C C C E	7¼	92	97⅞	8.10	7.66
C C F	9¼	95	101⅛	9.03	9.15
C N A	7¾	95	94¼	8.43	7.87
C N T Tra A	9¾	92	105⅞	8.16	9.23
C N T Tra B	9⅞	95	104⅝	9.02	9.46
Colgate-Palmol	8	91	100⅛	7.89	
Cr Foncier	7⅝	94	96¼	8.39	7.92
Cr Lyonnais	6⅝	92	93¼	8.28	6.84
Credit Natl	7⅜	90	99⅝	7.53	7.40
Credit Natl	8⅝	95	103⅛	8.29	8.61
Dai-Ichi	7⅞	97	87¼	10.06	9.03
Denmark	7¾	92	99	8.03	7.83
Denmark	7⅞	94	96⅝	8.54	8.13
Denmark	7⅝	96	92¾	8.87	8.22
E C S C	8	97	98¼	8.27	8.14
E D C	6⅝	96	88	8.45	7.24
E D F	9¾	95	101⅜	9.46	9.62
E D F	9	97	102¼	8.43	8.80
E D F	7⅛	98	89¾	8.62	7.94
E E C	7⅛	91	98⅞	7.71	7.46
E E C	7½	92	98½	7.91	7.61
E E C	8⅞	93	102	8.44	8.70
E E C	7¾	94	95⅛	8.30	7.73
E E C	7⅝	94	97	8.25	7.86
E I B	7⅜	91	99⅝	7.48	7.40
E I B	8⅝	93	101⅝	8.22	8.49
E I B	7⅝	94	97⅛	8.22	7.85
E I B	8⅛	94	98	8.51	8.29
Elf Aquitaine	8¼	88	100¼	8.10	8.25
Euratom	7⅜	96	92⅝	8.56	7.94
Euratom	7⅜	97	90⅝	8.85	8.13
Eurofima Oct	8⅛	92	99⅝	8.21	8.16
Eurofima	7⅝	94	96⅝	8.33	7.89
Eurofima	7⅜	97	92⅝	8.47	7.96
Fiat Fin Trade	8	91	98½	8.39	8.12
Ford Canada	8⅞	93	102¼	8.37	8.68
G Z B	7	93	89	9.51	7.87
Gillette	7½	93	91⅝	9.47	8.19
GMAC	7½	89	98⅞	n.a.	
I B M	8¼	90	101⅛	7.74	8.16
Italy		96	52¾	7.86	
Megal Finance	10⅞	95	100	10.10	10.12
Merrill Lynch	7	90	94⅜	9.18	7.42
Merrill Lynch	7⅞	90	97	8.81	7.60

Dollar Zero Coupons

DM Straights

Issuer	Con	Mat	Price	Yld Mat	Cur Yld
World Bk Pp	5¾	93	99.00	5.95	
World Bk	7¼	93	106.15	5.83	6.83
World Bk	7½	93	106.60	6.02	7.04
World Bk Dec	8	93	109.75	6.02	7.29
World Bk Nov	7⅞	94	107.30	6.29	7.11
World Bk Feb	8	94	109.15	6.18	7.33
World Bk	8⅛	94	109.60	6.33	7.41
World Bk	6½	95	101.85	6.32	6.43
World Bk Aug	7	95	103.80	6.25	6.74
World Bk Jan	7⅛	95	104.30	6.35	6.83
World Bk	7¼	95	104.95	6.36	6.91
World Bk	7¾	95	107.85	6.37	7.19
World Bk	5¾	96	96.10	6.36	5.98
World Bk	6	96	97.55	6.37	6.15
World Bk	5⅞	97	96.05	6.45	6.12
World Bk	6¼	97	99.00	6.39	6.31

Yen Straights

DM Zero Coupons

ECU Straights

Issuer	Con	Mat	Price	Yld Mat	Cur Yld
Aegon	7¼	95	89⅝	9.15	8.09
All Nippon Air	9	95	100	8.98	9.00

Listing above does not include floating rate notes or convertibles.
Coupon, price and yield are expressed in percent.
For dollar-denominated issues, Spd/Trsy is differential between yield to maturity of bond and yield on U.S. Treasury's issues with the same maturity, expressed in basis points.
Prices and yields are all on a bid basis.
Pp: private placement.
W/w: with warrants.
X/w: ex warrants.

Treasury Bonds

Nov. 20

Maturity	Close Bid	Close Ask	Yield	Wk.-ago yield
30.11.89	100 6/32	100 7/32	7.63	7.73
15.11.90	100 7/32	100 9/32	7.90	8.02
30.9.91	103 7/32	103 9/32	8.12	8.84
15.11.92	100 9/32	100 11/32	8.30	8.35
15.10.94	104 22/32	104 24/32	8.58	8.68
15.11.97	100 22/32	100 24/32	8.77	8.86
15.2.06	103 1/32	103 5/32	9.02	9.11
15.8.17	100 4/32	100 6/32	8.86	8.94

Source: Salomon Inc.

Mutual Funds

Figures as of close of trading Friday

November 20

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

	Bid	Ask
AARP Invst:		
CapGr	19.10	NL
GinlM	15.19	NL
GenBd	14.93	NL
GthInc	20.10	NL
TxFBd	15.39	NL
TxFSh	15.29	NL
ABT Midwest:		
Emrg	6.82	7.16
FI Govt	10.10	10.52
FI Gth	13.05	13.70
GthInc	11.32	11.88
IntGv	10.24	10.45
SecInc	9.41	9.88
TFLtd	10.05	10.26
UtilInc	13.86	14.55
AdsnCa unavail		
ADTEK	9.53	NL
AdvntGv	9.54	9.96
AIM Funds:		
Chart	6.37	6.69
Constl	9.25	9.71
CvYld	8.44	8.86
Grnwy	9.56	10.04
HIYld	8.85	9.29
Sumit	6.06	
Weing	8.61	9.04
A M A Funds:		
ClasGt	9.44	NL
ClasIn	8.77	NL
GlbGt	17.23	NL
USGvt	14.48	NL
Colamos	9.91	NL
CalMun	8.46	NL
CalTrst	10.84	NL
CalUSGv	9.59	NL
Calvert Group:		
Ariel	15.67	16.40
Equity	14.61	NL
Inco	15.44	16.16
Social	22.70	23.76
TxF Lt	10.41	NL
TxF Lg	14.61	15.29
US Gov	14.22	14.89
WshA r	14.02	NL
Capstone Group:		
Fd SW	8.42	8.84
Inco	5.09	5.34
PBHG	8.62	9.05
Trend	10.61	11.14
Carnegie Funds:		
CapGr	12.09	12.66
CapTR	9.48	9.93
Govt	9.55	10.00
Cardnl	13.38	14.42
CrdnlGv	8.91	9.35
Cnl Shs	17.00	NL
Chp Dir	9.69	NL
Chestnut unavail		
CIGNA Funds:		
Aggrsv	9.19	9.67
Grwth	12.60	13.26
HIYld	9.62	10.13
Incom	7.58	7.98
MuniB	7.18	7.56
Value	11.73	12.35
Citibank IRA-CIT:		
Balan f	1.58	NL
Equit f	1.65	NL
Incom f	1.61	NL
STrm f	1.39	NL
Claremont Fds:		
Cornbd	12.08	12.68
GovBd	10.24	10.75
Stock	9.69	10.17
Clipper	39.67	NL
Colonial Funds:		
AGold	22.32	23.94
StrWrld	16.23	16.73
Tax Ex	11.75	NL
Third C	5.83	NL
USGvInt	12.69	NL
Eaton Vance:		
CalMu r	9.48	NL
EHStk	12.74	13.74
GvtOb	11.48	12.05
Grwth	6.23	6.54
HiInc r	9.11	NL
HiMu r	9.25	NL
HIYld	4.85	5.09
IncBos	9.73	10.22
Invest	7.46	7.83
MunBd	8.48	8.90
Nautls	8.77	9.21
SpEqt	14.90	16.06
TotRet	8.33	8.75
VS Spl	8.50	8.92
EclipEq	9.55	NL
EmpBld	16.12	16.92
EntprGw	7.13	NL
Equitec Siebel:		
AgGth r	11.42	NL
HIYld r	8.91	NL
TotRet r	12.01	NL
USGv r	9.41	NL
EqStrat	16.58	NL
Evergreen Funds:		
Evgrn	11.39	NL
TotRtn	16.26	NL
ValTm	9.01	NL
FPA Funds:		
Caplt	11.27	12.05
NwInc	9.21	9.64
Parmt	13.48	14.42
Peren	16.75	17.91
Fairmt	41.64	NL
Frm BG	9.38	NL
Federated Funds:		
CpCsh	10.42	NL
Exch	46.01	NL
FBF	9.12	NL
FT Int	19.66	NL
FdIInt	9.75	NL
FloatT	9.65	NL
GNMA	10.80	NL
Gwth	13.65	NL
HIYld	9.80	NL
Inco	10.24	NL
FIMT	9.83	NL
Short	10.87	NL
SIGT	10.16	NL
StkBd	15.09	NL
Stock	21.14	NL
USGov	9.11	NL
Fidelity Invest:		
AgrTF	10.75	NL
Balanc	9.46	9.86
CA TF	10.45	NL
HIQual	11.07	11.18
HY TF	9.62	9.72
44 WlEq	3.01	3.04
44 Wall r	1.89	NL
Founders Group:		
Frontr	11.56	NL
Grwth	8.61	NL
Incom	14.97	NL
Mutl	7.70	NL
Specl	5.42	NL
Franklin Group:		
AGE	3.27	3.41
CalIns	10.23	10.66
CvtSc	8.65	9.01
CrpCsh	8.85	NL
DNTC	10.65	11.09
Equity	5.52	5.75
FedTx	10.65	11.09
Gold	11.91	12.41
Grwth	17.88	18.63
HY TF	10.03	10.45
Incom	2.10	2.19
InsTF	10.54	10.98
MaTF	9.94	10.35
MI Tax	10.23	10.66
MNIns	10.51	10.95
NY Tax	10.28	10.71
Ohiol	10.23	10.66
Option	4.97	5.18
PR TF	10.09	10.51
Utils	7.49	7.80
US Gov	7.02	7.31
CalTx	6.56	6.83
Freedom Funds:		
EVal r	7.92	NL
Globl r	9.55	NL
GlIPl r	10.52	NL
Gold r	14.84	NL
GvPls r	9.60	NL
RgBk r	8.98	NL
FundTrust:		
Aggr f	12.34	NL
Grth f	12.38	NL
GrahIn f	11.76	NL
Inco f	9.73	NL
TxFree	8.27	NL
Fund Source:		
HIYld	9.05	9.43
EquTr	8.76	9.13
GvSec	6.92	7.04
IntlEq t	13.94	NL
GabellA	11.98	NL
Geico	23.47	NL
GIT Invst:		
EqSpc	14.71	NL
HIYd	10.45	NL
Inc n	8.38	NL
InARt	10.50	NL
GatwyGr	9.21	NL
GtwyOp	13.45	NL
Kemper Funds:		
CalTx	6.80	
Grow	6.48	
Hi Yld	10.69	
Incom	8.45	
IntlFd	14.92	
Mun B	9.07	
Optn	7.61	
Summ	3.04	
Tech	8.47	
Tot Rt	13.58	
US Gv	9.15	
KyTxFr	6.41	
Keystone Group:		
Cus B1 r	15.76	
Cus B2 r	17.94	
Cus B4 r	6.91	
Cu K1 r	8.15	
Cus K2 r	7.27	
Cus S1 r	18.55	
Cus S3 r	6.32	
Cus S4 r	4.40	
Intl r	6.23	
KPM r	18.02	
TxETr r	10.13	
TxFr r	8.04	
Kidder Group:		
Gvt r	14.38	
KPE r	17.22	
MktGd	14.65	
Nat	14.73	
NY Ser	14.37	
SpGth r	14.06	
Landmark Funds:		
CapGt	8.23	
GthInc	9.31	
NYTF	9.13	
USGov	9.21	
LMH	22.24	
Legg Mason:		
SpIInv	8.39	
TotRet	8.11	
Valtr	22.89	
LehOpt	23.37	
Levrge	5.85	
Lexington Grp:		
CLdr tr	12.56	
GNMA	7.65	
Goldld	5.77	
Grow	9.86	
Rsch	15.60	
Liberty Family:		
Am Ldr	12.41	
CnvInc	8.31	
Hi Icm	10.98	
Tx Fre	9.86	
US Gvt	8.36	
LibMuG	9.70	
LtdTrm unavail		
LindDv r	21.26	

Monday, November 23, 1987 International Herald Tribune Special Financial Report

The Euromarket: Rough Going

MARKET WHIPLASH

The largest segment of the international capital market, Eurobonds, has experienced a loss of liquidity and investor confidence this year that jeopardizes its future, the OECD said in its quarterly report, Financial Market Trends.

What concerns the OECD is not the drop in volume from the record $228 billion set last year, but "the speed with which the climate of the market has deteriorated" and the extent to which that "reflects an underlying malaise" in the market's operating mechanisms.

The gloomy assessment was released on Oct. 12, just before the upheaval in the world financial markets. Since then, liquidity and confidence have been further impaired.

Oct. 14: Dollar Drops
The dollar falls sharply against all major currencies in New York as market participants express overwhelming disappointment at a larger than expected August merchandise trade deficit.

Oct. 17: Baker Responds
U.S. Treasury Secretary James A. Baker 3d minimizes the Dow's record plunge of the previous week (235.48 points, or 9.5 percent) and hints again that the U.S. administration will let the dollar fall.

Oct. 18: T-Bills Soar
Prices of U.S. government securities soar as much as 4 points as investors liquidate stock holdings and buy short-term bonds and Treasury notes.

Oct. 19: Black Monday
Unabated selling sweeps Wall Street in a plunge that surpasses the crash of 1929. The Dow Jones Industrial average falls 508.32 points, or 22.6 percent, in the heaviest trading ever on the New York Stock Exchange. Three quarters of a trillion dollars in assets evaporate. Record losses are recorded in London, Paris, Hong Kong and Toronto.

Oct. 20: Global Reaction
Wall Street's crash is followed by record one-day drops in London, Tokyo and Sydney and the closing of the Hong Kong exchange.

Oct. 20: Deficit Is Blamed
The selloff on world stock markets hardens the view in Western Europe that U.S. economic policy is adrift and has become the root cause of global economic instability, many analysts say.

Oct. 20: Greenspan Reacts
Reagan meets with the Federal Reserve Board chairman, Alan Greenspan who has said the Fed will make easy-term emergency loans available to banks to preserve the "liquidity" of the financial system.

Oct. 23: Reagan Responds
President Ronald Reagan says the market gyrations emphasize "the need to send a clear signal that spending must be restrained."

Oct. 29: Selloff in Asia
Extreme turbulence in foreign-exchange markets prompts investors in Asia to dump their holdings on the region's three largest stock exchanges. Tokyo, Hong Kong and Sydney register sharp falls in share values.

Nov. 15: New Issues
Market makers claim that momentum is gathering in the dollar sector for a spate of new bond issues by year's end, following some stabilization of currency rates, evidence that the U.S. trade deficit can be shrunk and signs that negotiators in Washington are committed to reaching an accord on reducing the U.S. budget deficit.

IN THIS REPORT

Challenge of Competition

Doubts About Globalization Depress the Market

The incentive to book business in offshore operations has been eliminated.


Jean Pierre Goudre

By Carl Gewirtz

PARIS — Long regarded as a frontier — international banking and finance's equivalent of the space age — the Euromarket these days looks more like the once Wild West of the United States: a frontier perhaps in spirit, but no longer in reality.

A pioneer in the globalization of money flows, the Euromarket today is no longer the only arena nor as free-wheeling as it once was.

As governments slowly woke up to how interdependent the world had become, the first official efforts to coordinate policy-making were directed at harnessing the international market.

This produced increased competition from domestic markets, which, by itself, might simply have represented a new challenge to the ingenuity of the institutions and individuals who people the Euromarket.

But the upheaval in financial markets this year, particularly the October crash of world stock prices, raises basic questions about globalization that challenge the essence of the Euromarket.

Since its emergence in the early 1960s, the Euromarket has been a nightmare for policymakers in the major industrialized countries. The market's topsy-turvy growth outside the purview of banking regulators and its ability to subvert the restraints imposed on domestic financial markets led to continuous, if unsuccessful, efforts to find ways to control it.

But by the early 1980s, the bureaucrats stumbled onto a winning formula: If you can't beat it, join it.

Implementation of this policy may have been slow and jerky. But the thrust of the reforms undertaken in domestic financial markets have all had a common goal of freeing national markets and thereby eliminating the Euromarket's competitive advantage.

Interest payments foreign investors earn in most domestic financial markets are now made free of withholding tax, as in the Euromarket. Ceilings on domestic interest rates have been abolished, putting domestic and international banks on an equal footing to attract deposits.

With supervisors now examining the worldwide exposure of banks under their jurisdiction, the incentive to book business in offshore operations has been eliminated.

And by the end of this year, policymakers expect to achieve a major breakthrough in the homogenization of international banking by establishing common definitions of what banks can consider capital as well as common ratios on the amount of capital required for particular types of business.

Initially, these common rules are expected to be adopted by U.S., British and Japanese banking supervisors, albeit with a long transition period. By 1992, when the European Community's financial harmonization plan comes into force, all banks within the EC are expected to have adopted similar standards.

With common rules on deposit-taking institutions virtually a reality, supervisory authorities will next turn their attention to trying to harmonize the rules of play for other financial institutions — investment banks and securities houses first, life insurance companies at a later stage.

Experts say there are major conceptual and practical difficulties in establishing common risk standards for securities houses. But they are convinced that October's crash in world stock prices will spur efforts. Even before the crash the Bank of England indicated it wanted to establish capital adequacy guidelines on the underwriting commitments of investment banks.

"Expanding supervision to securities markets may not result in spectacular moves," said one official at the Bank for International Settlements, which closely monitors the market. But he predicted that even small steps could have "profound consequences" on the market's capacity to introduce innovative financial instruments as well as on the hedging techniques and trading strategies of financial institutions.

In addition, tougher capital adequacy standards will effectively raise the cost of doing business in a market where the eroding costs/benefits ratio has already forced a number of firms to withdraw from the market entirely or from particular segments, notably floating rate notes.

But the greatest threat to the market from October's crash is the damage it might wreak on the concept of globalization.

It still is much too early to know for certain, analysts agree. But there is considerable concern about what effect this year's exceptional volatility in bond prices followed by the exceptional volatility in stock prices and the continuing volatility of exchange rates will have on the much-ballyhooed globalization of financial markets.

The Eurobond market is the nexus of this phenomenon. Eliminate investors' desires for portfolio diversification by types of assets as well as by currencies and you eliminate the market's reason for being.

A common feature in October's fall in stock prices was that it produced significant selling in national markets by foreign investors. The question that has yet to be answered is whether this was simply a one-off defensive response to an exceptional situation or whether it is a harbinger of investors' return to the greater security of home markets.

This phenomenon, by itself, probably would not have raised eyebrows. The real problem is that the international market was already suffering from investor concern about credit quality and trading capability and such worries can only have been intensified by October's events.

The troubles in the Eurobond market began in the early 1980s. First, it was groups of issuers that fell from favor — U.S. banks, following the outbreak of the debt crisis; U.S. corporations, because credit ratings tumbled overnight.

Then, whole market sectors disappeared almost overnight: first perpetual floating rate notes, then dated floaters, then equity warrants issued by Japanese companies.

Earlier this month, the Organization for Economic Cooperation and Development warned that the Eurobond market's loss of liquidity and investor confidence puts into question its continued viability.

"There are indications of a significant shift in favor of domestic government securities with broad and deep secondary markets" and a redirection of investment flows toward money market instruments — Eurocommercial paper, Euronotes and certificates of deposit.

The report also noted that an end of the three-year boom in Eurobond market activity may endanger the strategic planning of the securities industry, "which had counted on a continuing expansion of new issuing activity as a factor supporting the globalization of securities business."

At the same time, there are indications that even governments, whose reform policies have fostered the internationalization of financial markets, are beginning to question the benefits.

ONE of the great mysteries of this decade is why real interest rates — the amount left after deducting the level of inflation — have remained so high. Real rates shot to record highs during the high-inflation era of the late 1970s and have remained high by historic standards despite the sharp drop in inflation rates and the ample liquidity in domestic markets.

In part, the continuing high real rates reflect investor fears that inflation is down but certainly is not dead and could flash back at any time. A major concern is the enormous foreign debt of the United States. Its net debt is now close to $400 billion and the rate of growth shows no sign of slowing.

The ever-increasing cost to service this debt will be a heavy weight. Given the great difficulty the United States has had to reduce its budget deficit, many investors suspect that when debt servicing becomes really burdensome later this decade, Washington will opt for the easy way out — allowing inflation to rise, thereby reducing the real servicing cost.

Another explanation of the high real rates, some analysts believe, is that the opening of domestic markets to foreigners has encouraged investors to seek out the highest possible returns.

Probably the best evidence of this is the enormous popularity of high-coupon Australian dollar Eurobonds with investors in West Germany. If the money had remained invested in the domestic bond market, real rates in Germany presumably would be lower than they are — now about 4 percentage points. Instead, liquidity has spilled out of the country.

Lower real rates are an important goal for governments as that would spur industry to invest. At present, given the high real rates of

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Deficit Financing

U.S. Likely to Need Less Foreign Capital

The stock collapse should speed the switch to producing for export.

By John M. Berry

WASHINGTON — The big plunge in stock prices last month likely will mean that the United States will be making fewer demands on the world's pool of capital to finance its huge deficit in international transactions.

No one can be certain what the impact will be from the large loss of stockholder wealth, or of the economic policy changes that have already occurred, but most forecasters believe U.S. economic growth will be substantially slower in 1988 than it otherwise would have been — perhaps even skirting the edge of a recession.

The slowdown in growth will come primarily in consumer spending and business investment, which some economists, such as William C. Melton of IDS Financial Services Inc. of Minneapolis, expect to fall steadily between now and the middle of 1988. With American consumers and businesses buying fewer goods, imports should show almost no growth next year. Meanwhile, U.S. exports should continue to grow at about the same pace as in the past year, more than 13 percent.

Mr. Melton's estimates are adjusted for inflation, but he believes there will be a substantial improvement in the trade balance in current dollar terms as well. Consumption will be weak enough that foreign producers will have a hard time passing on the higher prices they would like to charge because of the drop in the dollar's value.

Meanwhile, three other developments should also lessen the need for foreign capital in the United States. Lower consumption should mean a higher personal savings rate for the country, while lower investment will mean a smaller demand on U.S. savings to finance it.

The federal budget deficit undoubtedly would rise next year if the economy is as sluggish as Mr. Melton and many other forecasters think it will be. But current efforts to reduce that deficit by cutting programs and raising taxes could offset much of the effect of slower economic growth on revenues.

In short, the stock price collapse should speed the switch in the United States from focusing on production for consumption to producing for export — a switch that must take place in order for the trade deficit and the concomitant inflow of foreign capital to fall.

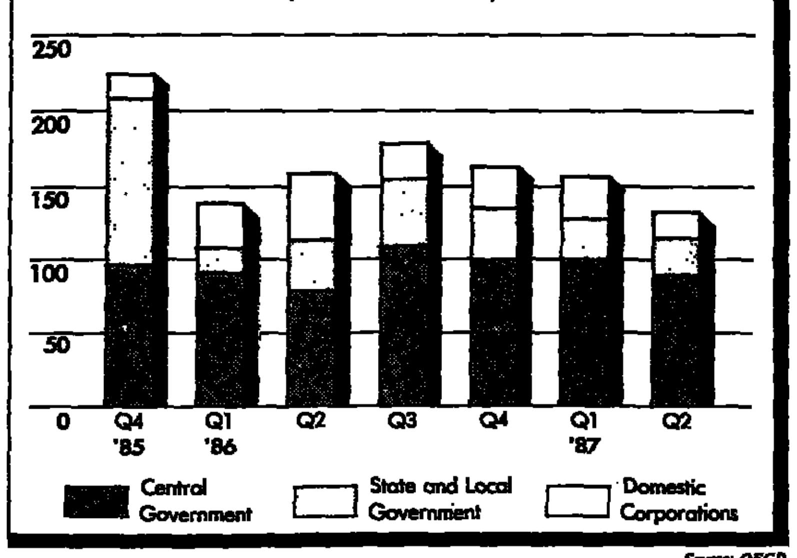
The U.S. deficit on current account hit a record $41.1 billion — a $160 billion annual rate — in the second quarter, and when the third quarter figures are released next month, another record may be set.

The foreign capital needed to cover that deficit has been reaching the United States through numerous channels. For instance, in the final quarter of 1986 and the first half of this year, foreign nonfinancial debtors paid down their debts to U.S. lenders at an annual rate of about $16 billion. The level of such debts dipped to $231 billion, the lowest level since the end of 1983, according to data from the Federal Reserve.

Foreign direct investment in the United States was running at nearly a $30 billion annual rate in the second quarter, almost twice the rate at which U.S. entities were making such investment abroad. Interestingly, only about 10 percent of the foreign investment here was in the form of retained earnings. Retained earnings of American-owned firms abroad actually exceeded the level of new direct investment since equity ownership in those firms went down.

With the $73 billion decline in the federal budget deficit between fiscal years 1986 and 1987, which ended Sept. 30, the government has reduced its borrowing in credit markets significantly. In the first half of this calendar year, such borrowing ran at a $151 billion rate, down from a $215 billion rate a year earlier.

A Sharp Drop in U.S. Bond Offerings
(in billions of U.S. dollars)



Source: OECD


AP

James A. Baker 3d

Foreign purchases of U.S. government securities declined, too. In the first six months of 1987, they ran at a $42 billion annual rate, down from a $64 billion rate in the first half of 1986. Many of the securities were purchased by foreign central banks with dollars they had purchased in an effort to prop up the currency's value.

At the same time, the Federal Reserve, the U.S. central bank, covered part of the U.S. current account deficit by selling foreign exchange at about an $11 billion rate in the first half of the year.

Foreign investors also bought U.S. corporate bonds at a $26 billion pace during the period while U.S. owners of foreign corporates were net sellers in a small way. Bond purchases by foreigners were down from about a $40 billion rate a year earlier, but U.S. investors were also increasing their foreign bond holdings then. Net corporate bond investment, therefore, dropped from about a $34 billion rate to $28 billion.

Net interbank claims by foreign entities rose at a $35 billion rate, up from $17 billion in the first half of 1986. Most of this change was the result of the combination of a decline in liabilities foreign affiliates owed to their U.S. parent banks and an increase in parent-bank liabilities to their affiliates abroad. Prior to last year, this channel was not a particularly important source of capital inflow for the United States.

Keeping all this foreign capital flowing this year took a substantial increase in U.S. interest rates, especially after rates started to go up in a number of other countries including Japan and West Germany.

Most U.S. government officials are not worried about whether the capital inflow will continue. It must, or else there can be no U.S. trade deficit, which in the short run can hardly be eliminated. The question is what interest rate will have to be paid to attract it.

Concern about rising rates and their economic consequences were the primary reason for Treasury Secretary James A. Baker 3d's outburst against the West German government's policies that helped provoke the stock market drop on Oct. 19 and in preceding days. Now that the multinational effort to support the

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Corporate Debt

U.S. Borrowers Are Staying Close To Home Base

By Linda Keslar

NEW YORK — For most U.S. corporate treasurers, Europe has become the destination for a vacation, not a debt offering. "Good terms just aren't available," said Brian Morris, an assistant treasurer at Ford Motor Credit, which has frequently financed a large portion of its debt in the Euromarkets through bonds denominated in a wide range of currencies.

Not this year. Instead, the auto financing arm has raised a portion of its $4.4 billion of debt through foreign exchange dominated bonds in the U.S. domestic market, where it can more carefully assess its risk. "Our job is selling the company, not outguessing the foreign exchange market," said Mr. Morris.

A sliding dollar is one factor that has made 1987 an inauspicious time for U.S. corporations to raise capital in the Euromarkets, which they have typically dominated. But currency and interest rate volatility, as well as the uproar when the U.S. Treasury decided to end a tax treaty with the Netherlands Antilles last June that threatened to load a new tax on billions of dollars in outstanding Eurobonds, have shaken the confidence of both European investors and U.S. corporate borrowers abroad.

As of early November, U.S. corporations have raised only $23.4 billion abroad in bonds, about half of 1986's total $45.3 billion. This downturn is having some dramatic effects on the Euromarkets, whose health depends on economic imponderables. A central question is whether the worldwide stock market plunge will herald more moderate U.S. economic growth and more stable interest rates, and especially important, a renewed dollar. "There's just a lot of uncertainty," said Alan Wilson, the executive director of Morgan Stanley's London office. "But what would help is to get the weakness of the dollar out of the way."

Factors like these are keeping most U.S. borrowers, like Chrysler Financial Corporation, sticking close to home base. Chrysler Financial borrowed $1.2 billion in the Euromarkets last year in bonds denominated in Deutsche marks, British pounds, Swiss francs, Dutch guilders, yen, dollars and Australian dollars. This year, it has borrowed only $600 million in the Euromarkets, compared to $1.5 billion in the U.S. domestic market. "The currency and interest rate spreads abroad are just not competitive to what we can do domestically," said Mark McEachen, the managing director of corporate finance at Chrysler Financial.

Moreover, European investors are not particularly interested in U.S. corporate debt with the dollar's decline, adds one investment banker. "Investor demand is totally absent, except for sovereign names," said Aoan Beck, the exective director of Credit Suisse First Boston in London.

Investors are exercising caution because fixed coupon Eurodollar issues are pegged to U.S. Treasuries, where volatility has

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Market Turmoil Spurs New Debt Strategies

By William A. Orme, Jr.

MEXICO CITY — Just when Latin America thought it would be safe to get back in the loan market, the world stock market slide is scaring borrowers and lenders alike.

Local exchanges have skidded dramatically in Latin America in the past month, paralleling a plunge of Latin debts in the secondary loan market and arousing new concern about the region's immediate economic prospects. Negotiators on both sides of the table are nervously re-examining debt rescheduling strategies.

"There are positive as well as negative consequences to all this, and it is going to take a while to sort it out," a foreign banker said.

Seizing the moment, the presidents of Latin America's eight largest debtor nations are expected to issue a call from a meeting in Acapulco at the end of November for an immediate "return to historic interest rates." By this, President Raúl Alfonsín of Argentina has said, the Latin Americans mean about 4 percent — less than half what they are paying now.

One key element of the current financial turmoil — the falling dollar — has the beneficial effect of reducing in real terms Latin America's almost entirely dollar-denominated $380 billion debt, economists in the region noted. And by forcing Washington into action on the U.S. budget deficit, some suggested, the stock dive could eventually lead to lower real interest rates.

"Ideally, perhaps, we could see a situation developing where the dollar stays weak and inflation returns to the United States, keeping the economy there growing but lowering interest rates in real terms," said one influential Latin American government economist.

"If that happened and the Latin American economies were to keep growing at a reasonable rate, the debt starts to become manageable," he said. Instead of seeking bond conversions, interest capitalization plans and other controversial new payment formulas, most Latin debtors could look forward to another orthodox round of rescheduling and fresh lending, he suggested.

A cheap dollar also directly benefits economies, such as Argentina's and Brazil's, that sell the bulk of their exports to nondollar economies, principally European. Export earnings in Deutsche marks and French francs now account for a much bigger share of dollar debt servicing costs, analysts noted.

And while the United States remains by far the biggest single market for the region's exports, the dollar's devaluation automatically promotes the diversification of trade that economists here have long recommended.

Yet an equally probable scenario, analysts in the region caution, is a contracting U.S. economy with higher real interest rates. Not only would recession and a weaker dollar cut heavily into U.S. import purchasing, it would intensify protectionist political pressures in Washington, many officials in the region worry.

Politically, moreover, the troubles of the U.S. dollar and stock market seem to have vindicated local critics of conventional debt rescheduling pacts who argued that Latin America was paying an unfair price for Washington's fiscal sins.

In Venezuela, the recent international financial upheaval is believed to have strengthened the presidential campaign of Carlos Andrés Perez, a former president and among the country's most vociferous opponents of foreign banks and the International Monetary Fund.

In Argentina, where the Peronist opposition was already gaining new support from its criticism of the government's foreign debt policy, political pressure has intensified for some form of unilateral reduction of payments.

Brazil's evolving political system, meanwhile, has been put under great strain by the controversy over the government's often contradictory debt management, which has oscillated this year between a militant suspension of interest payments and refusal to bend to creditors' economic demands to a conventional fresh lending request and and apparent rapprochement with the IMF.

Adding to the confusion, President José Sarney is reportedly proposing a massive conversion of as much as half of Brazil's $112 billion debts into private risk capital at the same time that constitution drafters are calling for far stricter controls on foreign investment.

Further undercutting the government's ability to placate creditors and reorder its finances, President Sarney is apparently going to be forced to step down after just four years of his originally six-year mandate. Whoever wins in the next presidential elections, which are expected next year, is likely to take a tougher line with foreign creditors, according to Brazilian political observers.

And in Mexico, where presidential elections will be held next July, the ruling Institutional Revolutionary Party is calling for new debt negotiations that would factor in the steep discounts on the secondary loan market. Mexico's debts are now worth less than 50 cents on the dollar in the secondary market.

AFP

José Sarney

Reuters

Raúl Alfonsín

WILLIAM A. ORME Jr. is a Journal of Commerce correspondent based in Mexico.

Japanese Investors Play It Safe

Special to the IHT

> The Japanese have fallen back into their old habit of looking for the high-rated, highly liquid, high-yielding issue.

TOKYO — The year started unhappily for the Japanese sector of the Euromarkets, and the end will likely provide little cause for rejoicing. Thanks to the Japanese government's commitment to a greater use of the yen as an international currency, the Euromarkets have experienced what might be called the Japanese revolution.

The tacit understanding between the major Japanese institutions and the Ministry of Finance that whatever widened the international base of the yen was good for Japan created an explosion in both volume and different kinds of Japanese activity in the Euromarkets over the last three years.

Japanese Eurodollar issues aside, the outstanding value of the Euroyen market as a share of the total Euromarket value rose from 1.9 percent at the end of 1984 to 5.2 percent in the spring of this year. But this year, the less desirable effects of this explosive growth have appeared with a vengeance.

Increasingly illiquid markets, growing competition in the Euroyen swaps sector and the massacre of convertible bonds and equity warrants in the recent stock market crash, overshadowed by fears of just how far Japanese firms and institutions have overstretched themselves with speculative investments, have thrown Japanese Euromarket investors back into their old habit of looking for the high-rated, highly liquid, high-yielding issue.

For the moment, innovation and speculation are out, safe bets are in. If there is a consolation in sight, it must be that the one thing that could kill a huge part of the Japanese Euromarket sector — a truly competitive domestic Japanese market for borrowers — is highly unlikely to appear in the near future.

The explosion in the Euroyen market was driven almost entirely through the new mechanism of yen swaps coupled with a ruling in late 1984 allowing corporate borrowers into the Euroyen market. The swaps, largely into dollars, provided borrowers with the dollars they really wanted in the first place, but at a cheaper cost, and provided Japanese financial institutions, city banks and trust banks with yen funds at a fixed cost, something they are barred from achieving within Japan.

In 1984, Euroyen bonds totaled 227 billion yen, all of them by nonresidents. In the first five months of this year, they totaled 2.139 trillion yen, 327 billion of that by residents.

Two things, however, combined to make the market less than international in scope.

First, the fact that few borrowers other than Japanese really want yen. All the yen thus raised was finding its way back into the hands of Japanese.

Second, apart from the swaps, a series of complicated issues geared to the individual needs of Japanese institutional investors swamped the market. The plethora of different kinds of bonds made these instruments very illiquid. Earlier this year, the Finance Ministry tightened the rules on such issues.

The problem of liquidity continues, despite the rapid upturn of first interest paper following the world equity market crash.

"The market is appreciating like crazy but the problem has been liquidity," said one Japanese bond trader in Tokyo.

The relative success of Italy's recent huge 150 billion yen floating rate note issue has brought the problems into focus. "It took off precisely because it was so massive and people thought there was going to be some liquidity in this bond," said the trader.

The collapse of the Japanese equity warrants market has also served to highlight the dangers inherent in the new markets. The 20 percent or so fall of the Tokyo stock market since Oct. 19 saw the warrants index plummet from a high of about 520 to almost 200 in a few days. The warrants, which are basically long-term call options on a company's shares attached to fixed rate bearer bonds, ran wild in the Euromarkets in the first half of this year.

Because bonds with warrants attached attracted remarkably low coupons, sometimes offering the borrower a negative interest rate once they were swapped from Eurodollars back into yen, the market was flooded. After $10 billion of warrant issues in the first half of the year, the top four Japanese securities houses considered a moratorium, an agreement that Nikko Securities chose not to follow.

Because the warrants, once detached from the bonds, offered investors an extremely highly geared entry into Japanese stocks in a rising market, they quickly became the flavor of the day. As long as stocks in Tokyo soared, fortunes were made overnight.

Now, investors have seen just how steep the other side of the hill is on the way down. There have been recriminations in what some observers said was an immature market that had expanded too far, too fast.

The market makers disagree.

"Some people think they were victims of the market, but they have been victims of the stocks crash; in such a highly geared market they were lucky not to lose their shirts," said a warrants trader at one foreign securities house.

The revelation that many Japanese firms might soon fall victim to bad speculative investments — the so-called Zaitech scandal — has hit all sectors of the market.

The demise of the small chemical company Tateho through bad investments sent a wave of fear through the markets. It had always been known that many Japanese firms were borrowing from the capital markets to finance investments in stocks and real estate. The Tateho collapse showed that there could be a price to pay for that.

Since September's announcement by Tateho, the Euromarkets have severely downgraded the creditworthiness of all Japanese borrowers and on fixed rate Eurodollar bonds by Japanese issuers, spreads have widened dramatically over U.S. Treasuries.

Some analysts believe this has been overdone, particularly in the case of issues backed by a government guarantee. The recent spread over treasuries of the Metropolis of Tokyo's bond due in 1996 had, for example, reached 114 basis points, compared to Petro Canada's similar 1996 issue at 88 points.

However, the Ministry of Finance remains reluctant to liberalize the domestic bond markets enough to seriously compete with the Euromarket financing.

The domestic samurai market, already afflicted with bureaucratic red tape at home, has been almost buried this year due to the appreciation of the yen and the fall in yen interest rates. Foreign borrowers do not want to get locked into time-consuming procedures to issue yen bonds in Japan when the market can change daily.

Market participants say official moves to ease restrictions have not been enough.

Shattered Louvre Accord Likely to Bring Setbacks for Eurodollars

By Ken Ferris

LONDON — With the defense mechanism of the Louvre accord shattered amid a flurry of conflicting statements about the U.S. dollar, the Eurodollar market is likely to suffer occasional setbacks after its recent recovery. However, Euromarket rates on yen, Deutsche mark and sterling deposits are set to fall further given the prospect of reductions in domestic interest rates and currency gains.

The breakdown of the Louvre accord to stabilize the dollar — which was signed by the United States, West Germany, Britain, Japan, France and Canada on Feb. 22 — follows a buildup of speculative pressure against the U.S. currency on the back of Washington's inability to deal with its intractable trade and budget deficits.

In an attempt to hold the U.S. currency stable at levels close to 1.80 Deutsche marks and 140 Japanese yen, central banks have already spent more than $70 billion this year defending it. However, following the worldwide stock market crash and the prospect of a U.S. recession, Washington finally gave the foreign exchange markets the signal they were looking for to sell the dollar.

"We will not sit back in this country and watch surplus countries jack up interest rates and squeeze growth worldwide on the expectation that the U.S. somehow will follow by raising its interest rates," said U.S. Treasury Secretary James A. Baker 3d earlier this month.

A statement from Karl Otto Pöhl, president of the West German Bundesbank, the central bank, added to the downward pressure on the dollar. "Overambitious commitments to peg certain exchange rate levels or target zones run the risk not only of clashing with domestic monetary objectives, but of collapsing when the markets test them," he said.

Suitably encouraged, foreign exchange dealers have swiftly taken the U.S. currency to record lows against most major currencies. On Nov. 9, the dollar hit a closing low in London of 1.6590 Deutsche marks and 134.20 yen compared to the dizzy heights of 3.45 marks and 263 yen seen in February 1985.

However, the dollar's more than 50 percent depreciation against the Deutsche mark and yen over that period has singularly failed to turn around the U.S. trade deficit. The shortfall of $14.08 billion in September contrasted with the 11.5 billion Deutsche mark surplus registered in West Germany and the $7.43 billion surplus recorded in Japan.

Until last month's stock market collapse, the U.S. trade figures were seen as the driving force behind the dollar's decline. However, the equity market shakeout has since pushed the budget deficit problem to center stage in any assessment of the dollar's future course.

Negotiators in Washington have agreed on a plan to prevent the deficit from rising to an estimated $163 billion to $179 billion in the 1988 fiscal year from the $148 billion registered in the 1987 fiscal year.

On Friday, a compromise on a budget deficit cut of $30 billion in the current fiscal year was reached. However, President Ronald Reagan later signed an order to activate $23 billion of automatic across-the-board spending cuts under the budget-balancing law that will be in effect until the $30 billion package can be translated into legislation.

However, while the compromise pact is a first step toward trimming the budget shortfall, it has failed to impress the financial markets. It is also unlikely to dampen international pressure from other Group of Seven countries for further measures to resolve the U.S. budget deficit problem.

David Morrison, chief international economist at Goldman Sachs in London, believes the dollar will be supported through this year by the compromise deal on the budget deficit and a Group of Seven meeting to confirm the commitment of the major industrial countries to exchange rate stability at current levels.

"However, by the spring of next year some of the delayed time-bomb effects of the stock market crash will put U.S. growth into negative territory, equities are likely to come under pressure again and investors will sell dollar assets," Mr. Morrison said.

"With any new currency pact unlikely to give the impression of fixity originally associated with the Louvre accord, there won't be much resistance to a lower dollar," he added.

Goldman Sachs expects the U.S. currency to be trading at record lows of 1.55 Deutsche marks and 125 yen and to be testing $1.90 to the pound by the middle of next year.

THE BEARISH sentiment surrounding the U.S. currency has forced West Germany to rethink its strategy on monetary policy. The Bundesbank has signaled its concern about the strength of the mark and the severity of the equity shakeout by lopping half a percentage point off the Lombard rate (an emergency financing rate charged on advances to banks) to 4.5 percent. It has also reduced the interest rate on securities repurchase agreements to 3.5 percent from 3.8 percent.

The reduction in domestic German interest rates is reflected in the Euromarkets. One-year Euromark deposit rates have fallen from 4¾ percent on Oct. 1 to current levels of around 4¼ percent.

However, the Bundesbank's monetary relaxation has failed to preserve the key differential with the United States. The interest rate gap on one-year Euromarket deposits has fallen to 3½ percent from 4⅛ percent at the beginning of last month, thereby adding to the factors undermining the dollar.

Japan's concern about asset price inflation has persuaded Tokyo to hold the line on official interest rates. Most analysts expect the official discount rate to remain at the current 2.5 percent. However, the Bank of Japan has injected liquidity into the domestic money market to shore up the Tokyo stock market. That, in turn, has helped to bring the one-year Euroyen deposit rate down three-quarters of a percentage point to 4½ percent since Oct. 1.

Nevertheless, with the one-year Eurodollar deposit rate falling 1⅛ percentage points to 7¾ percent since the beginning of last month, the interest rate differential between Japan and the United States has been reduced.

While the dollar's weakness has been the catalyst for Deutsche mark and yen appreciation, sterling has moved ahead under its own steam. The Bank of England has intervened heavily to hold the pound below the officially targeted 3 Deutsche mark ceiling as investors switch funds into Britain to take advantage of high interest rates and capital gains on gilts. The bank's efforts are reflected in September's record $6.7 billion buildup in foreign exchange reserves.

The pound's strength enabled Chancellor Nigel Lawson to underpin the sliding U.K. stock market on Nov. 4 by signaling a half-percentage point cut in clearing banks' base rates to 9 percent. The equity market's more stable performance since then has dampened rumors of another base rate reduction, but the government has made clear its determination to add liquidity to the money markets when necessary.

The strong pound and the switching of funds out of equities are behind the sharp rally in U.K. gilts and the easing in Eurosterling deposit rates. One-year Eurosterling rates are currently close to 9 percent compared to 10⅝ percent on Oct. 1.

KEN FERRIS is the editor of Euromoney Treasury Report.

U.S. Borrowers Staying Close to Home

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made it difficult to make an accurate evaluation on price.

That has led to bouts of illiquidity in the Eurobond market for U.S. corporate names, he added. "The key time to see U.S. corporates in the market again is only when the dollar stabilizes."

To attract European investors, some U.S. issuers have added special features to their bond offerings abroad. Last May, Eastman Kodak Corp., for example, issued $130 million, three-year Eurodollar notes with gold warrants attached. The gold warrants gave investors the option to receive cash equal to the difference between the price of gold at the time of the deal and the spot price any time within the next two years.

Selling the warrants allowed Kodak to pocket some $15 million, a profit that was used to lower the costs of the bond issue. Moreover, the warrants were a way to diversify Kodak's international investor base.

"At that time, there was a window in the Swiss market where investors were interested in that kind of deal," said Tom Rogers, the cash management director at Kodak. "It was a way for us to reach that investor base."

Kodak also issued a $200 million zero coupon bond denominated in Australian dollars when demand took off for high yield zero coupon bonds in Europe this past spring. But the company has curtailed Eurobond financing activity since then, and funded the last portion of its $700 million in debt financing this year in the U.S. market last month. "We just haven't seen any interest in Europe," said Mr. Rogers.

Another factor that has led to the downturn in U.S. corporate activity in the Euromarkets is the general softness in the mergers and acquisitions sector. "The reason we haven't financed much abroad this year is because we didn't acquire another RCA," said Jack Batty, a spokesman for General Electric Co. The conglomerate financed $1.5 billion in the Euromarkets last year, compared to $150 million this year to cover the costs of the merger.

The dearth of deals by U.S. corporate names is one reason why U.S. investment banks like Salomon Brothers and Shearson Lehman Brothers are laying off employees in London. It has also triggered some profound changes in the types of borrowers and securities that make up the Euromarkets. A significant reshuffling in the underwriter ranks has taken place, with the mushrooming volume of equity-related debt and the strength of the yen and other currencies driving the Japanese houses to overtake their European and U.S. counterparts.

As a result, the market share of houses such as Credit Suisse First Boston, Salomon Brothers, Morgan Stanley, and Union Bank of Switzerland, all traditional leaders, has slipped. They have been replaced by the mammoth Japanese underwriters — Nomura, Yamaichi, Nikko Securities and Daiwa — whose collective share of the market is now about 30 percent.

"I think if the dollar were stronger, the Japanese dominance would be less," said Sheldon Prentice, a managing director of Salomon Brothers in London. "But they have built up an enormous position and I think that's got staying power."

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U.S. Capital Demands

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dollar apparently has been scrapped, at least temporarily, in order to hold down rates, the outlook for the dollar is for a further decline, in the view of most U.S. economists.

If foreign investors become more worried about the dollar's prospects, then they will demand a higher differential between interest rates paid in the United States and in their own countries. In other words, there could be renewed pressure on U.S. rates, which in turn could lead to more of an economic slowdown in 1988.

The stock market plunge and all that has followed in its wake has brought home to many Americans, as no previous event had, the extent to which their economic well-being is now tied to economic policies and investor attitudes in other countries. They are also slowly becoming aware of the price that will have to be paid — lower consumption — to reduce the U.S. international deficit.

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Bond, Capital Markets

West German Trading Unexpectedly Upbeat

By Edward Roby

FRANKFURT — For long stretches this year, the West German bond market seemed as sinister as an enchanted forest, full of threatening illusions and mocking delusions.

Those who did not lose heart when their hopes for a lifting of the securities turnover tax were dashed still had to face down the wraith of rising rates and the specter of a new federal levy. But in the end there was a surprising reward waiting for those who stuck it out.

The bond market, against all expectations, has been enjoying a mini-boom following the global stock market crash.

Measured from Black Monday, Oct. 19, the average yield of fixed interest paper with more than three years left until redemption had backed off 29 basis points to 6.04 percent by Nov. 11 when the favorable trend of recent weeks showed its first signs of leveling.

Some observers even see potential for a return in coming months to levels close to the all-time trough of about 5.4 percent that yields touched in May.

"We could continue to approach this well into 1988," said a Commerzbank economist, Ulrich Ramm. "What happens then would all depend on the dollar."

Most market participants are convinced that the central banks will have to continue their strategy of lower rates and high liquidity to help heal the wounded equity markets and stave off recessionary forces. It was this sudden about-face in rate policy rather than the fabled flight of capital from the collapsing stock markets that produced the resurgence of the bond market in the first place, experts believe.

Next year, Mr. Ramm said, he believed the United States would finally achieve a turnabout in its current account situation. At this point, the rate gap between the dollar and the mark, currently around 2½ points, could find a level that would restore stability to the foreign exchange.

Karl Otto Pöhl, the Bundesbank president, in a speech on Nov. 2 in New York, pointed out that West German interest rates have "uncoupled themselves in an almost dramatic fashion from American rates." He said the market rate increases introduced in West Germany around the middle of this year were modest compared with the escalation that had already been under way for months in the United States.

"We are not at all interested in interest rates rising either in Germany or in the United States," he said. "We most certainly do not want them rising in the bond market, where yields in Germany have gone far ahead of the Bundesbank's 'repo' rate."

All that would have seemed like a fairy tale only as recently as early October when Finance Minister Gerhard Stoltenberg unveiled plans for a *quellensteuer*, a 10 percent tax on all interest earnings at the source. Average yields for public bonds promptly climbed to a year's high of 6.62 percent in a shell-shocked market.

Looking back on 1987 so far, the bond market upswing seems like a minor miracle.

The Bundesbank provided an auspicious beginning by shaving half a point each from its leading discount and Lombard rates in January. In the same month, Chancellor Helmut Kohl's center-right coalition swept to re-election, kindling expectations that the securities turnover tax, *börsenumsatzsteuer*, would be scrapped and the secondary market in Deutsche mark Eurobonds could be repatriated from London.

West Germany's abolition of the coupon tax on interest paid to foreign bond holders in mid-1984 had unleashed a flood of foreign investment in West German bonds. Foreigners boosted their purchases from about 14 billion Deutsche marks in 1984 to 31 billion DM in 1985 and 59 billion DM in 1986.

Last year, foreigners accounted for around two-thirds of the net placement of domestic West German bonds, a good currency hedge because of the rise of the mark. The Deutsche mark Eurobonds, on the other hand, entered 1987 offering the highest real return available in international comparisons.

The foreign buying spree continued through January when another 13 billion DM worth of domestic fixed-interest paper was placed abroad. Then the goblins started popping up in the market.

The Bundesbank, alarmed by the expansion of the money supply that had ballooned beyond targets for two years, gradually raised its rates for securities repurchase agreements starting in midsummer.

Foreign buying of West German domestic bonds plunged sharply after January. Only about 1 billion marks of this paper was placed abroad in June, Bundesbank statistics show. In September, foreign investors became net sellers of West German bonds for the first time since the abolition of the coupon tax.

Probably the biggest blow to the market came Oct. 9 with the announcement of the quellensteuer.

Bankers, citing the bond market selloff, warned that capital would simply defect to Luxembourg.

The furor was short-lived, overtaken by Black Monday and the unexpected market upswing.

The consumption stimulus from the government's income tax reductions, starting Jan. 1, could have spinoff benefits for the bond market.

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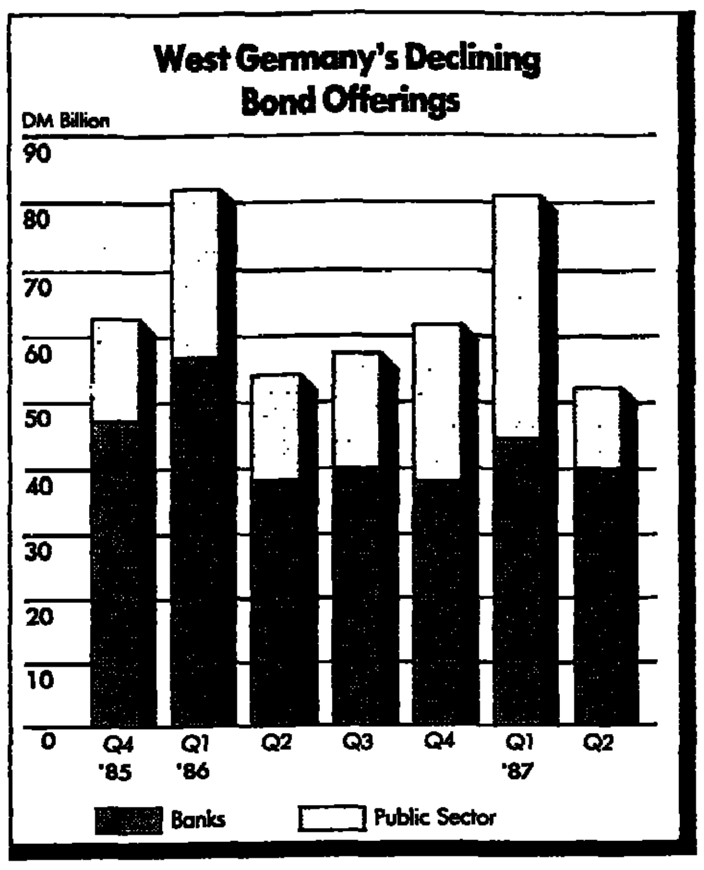

Nordic Banks Hone Limited Resources

By Michael Metcalfe

COPENHAGEN — Fine-tuning their limited capital resources and adopting a high degree of specialization in the lucrative world of niche banking, the Scandinavian banks have profited from the momentum of the Euromarkets over the past three decades.

The region's leading commercial banks have steadfastly pursued a strategy of extending their profile in the international capital markets without running the risk of overextending themselves. Still, the recent turmoil in the world's financial and capital markets has not left them untouched.

Many of these institutions have seen their substantial holdings in securities eroded by the collapse in the equities markets; many have embarked on a period of reappraisal and retrenchment in their approach to corporate funding and trading in securities; many have scaled down their expectations of what hard-won market shares in capital sectors will bring in the way of profits.

Stepping up their efforts to gain a greater market share amid fierce competition from long-established foreign rivals has not been easy either, especially when the foreigners almost invariably possess a larger capital base and more extensive international banking networks.

"I think the recent turmoil on international financial markets has taught Nordic commercial banks a sharp lesson: Banks will return to the less profitable but more traditional activities of commercial banking — deposit-taking and loan financing," noted a Swedish banker in Stockholm.

A recent study by the Basel-based Bank for International Settlements (BIS) showed that Swedish banks rank second only to U.S. banks in the relative use of new financial instruments conducted on an off balance sheet basis. This fact has served to reinforce the Nordic banks' unease over their exposure to risks associated with this aspect of Euromarket business.

"It is not particularly remarkable that Swedish banks should be relatively active with the new instruments; Swedish firms are very active in international markets, their financing activities are sophisticated and, like the Kingdom of Sweden, they have often been at the forefront of innovations," noted Ake Tornqvist, an official at the Riksbank, Sweden's central bank.

One example of this willingness on the part of Swedish corporate entities to tap innovations on the Euromarkets in the recent past took the form of the most ambitious international equity placement ever attempted by a Scandinavian concern. Sweden's Electrolux, a major manufacturer of household appliances, last year issued 8 million "B" free shares in nine capital markets, with the aim of raising the equivalent of around 2 billion Swedish kronor.

The proceeds of the issue, coordinated by Enskilda Securities (the London-based investment banking subsidiary of Sweden's Skandinaviska Enskilda Banken), went largely to finance the acquisition by Electrolux of White Consolidated Industries, the third largest appliances maker in the United States, as well as to inject new investments into Italy's white goods producer Zanussi, which Electrolux had acquired at the end of 1984.

The issue was directed to international investors outside Sweden and was arranged on a regional basis with a lead manager in each of the capital markets — the United States, Britain, Canada, West Germany, France, Switzerland, Italy, the Netherlands and the Far East.

Following its foray into the international equity markets with one of the biggest Euroequity issues ever made, Electrolux began issuing so-called multi-tranche tap notes (MTTNs) in the medium term note (MTN) sector.

Although the company financed many of its previous acquisitions through loans and was used to operating with high leverage, its $745 million takeover of White obliged it to approach the Euromarkets and Euroequity market for a fresh infusion of funds.

The new financial instrument tapped by Electrolux was structured like a Eurobond, traded like U.S. Treasury securities and distributed like commercial paper, which made it a tempting choice both for companies seeking greater borrowing flexibility on the Euromarkets and for institutional investors intent on widening their choice of maturities.

The move by Electrolux into two sectors of the Euromarkets — the Euro-equity market and the multi-tranche tap note market — may, however, be a phenomenon of the recent past, at least until the global securities markets recover from their wrenching upheavals.

TO ILLUSTRATE this point, another Scandinavian company recently used a more traditional method of raising funds on the Euromarkets. After several large financings on the Euromarkets over the past five years, Saga Petroleum, Norway's largest privately owned oil firm, embarked last September on a $1 billion funding exercise, which on the surface bears all the hallmarks of a traditional bank credit but which in reality marks a major experiment in new corporate financing techniques.

The new financial instrument being tapped by Saga is structured like a bank credit but incorporates the flexibility and option of tapping the world's longer term bond markets.

"The new loan represents a major step forward for the company in its financing," said Per Fjermestad, vice president for finance at Saga. "It has always borrowed on its future, and the future is getting closer every day."

He said the new facility carries several options. It can be tapped as a straightforward loan in the traditional manner, it can be drawn on the basis of short-term advances or it can be used as a backstop for the sale of Euronotes.

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Doubts About Financial Globalization Depress Market

Continued from page 7

return on securities and the uncertain economic climate, it is more profitable for companies in all the major industrialized countries to invest in securities than in new plant and equipment.

But all this may change if October's shock to investor psychology is profound. For openers, the volatility of stock, bond and currency prices may drive investors, private and corporate, back to the relative safety of bank deposits.

And with bond and equity markets less receptive, bank lending could once again become the major source of finance on the international market.

Until the outbreak of the debt crisis in 1982, bank lending was the major component of the Euromarket. In the five years since then, activity in the Eurobond market swelled as issuers took advantage of falling interest rates to replace higher cost bank debt and to lock in long-term low cost money.

The issuing volume, which doubled between 1984 and 1986 to $228 billion, was especially striking as business investment everywhere was low. Much of the borrowing, it would seem, was precautionary — against the day when rates began to rise.

But this year's issuing volume in the Eurobond market, which was down sharply even before October's 54 percent drop, so far totals $156 billion, a decline of 20 percent from the year-earlier figures, the OECD reports.

Hardest hit is the floating rate note sector, where this year's total of $7 billion is 85 percent below the year-ago number.

By contrast, international share placements — the international market's newest sector — registered a 33 percent gain, to $12 billion. Equity-related bond offerings almost doubled, largely due to record volumes of paper issued by Japanese companies.

In all, equity and equity-related paper accounted for 18 percent of the international market's total $291 billion of activity through last month.

The syndicated bank loan market registered a 40 percent advance through October, but the volume, at $54 billion, amounted to only a third the size of the bond market. The figure does not include renegotiations of Latin American debt, which would add $3.3 billion.

However, that does not give a true picture of international bank activity. Note issuance and similar facilities, where banks are committed to lend funds if the issuers fail to market short-term notes, added another $18 billion of new business through October.

Investor preference for short-dated paper was reflected in the high volume of Euro-commercial paper programs, which amounted to $41 billion so far this year, compared to $50 billion in the corresponding period last year.

Other non-underwritten bank facilities, such as medium-term note programs, totaled $11 billion so far this year, up 68 percent from a year ago.

CARL GEWIRTZ, associate editor of the International Herald Tribune, writes a weekly column on the Eurobond market.

In Paris and London

French Bonds Hurt By Interest Rate Drop

By Jonathan Engel

PARIS — If there was a silver lining in the cloud that descended on the world's capital markets with the stock market collapse in October, it was the sharp decline in interest rates.

As monetary authorities around the world rushed to stave off a recession by pumping liquidity into the money markets, bond prices soared.

Except in France. In fact, the opposite occurred, souring the already modest prospects for French franc Eurobonds. Analysts say it is now unlikely that the market will even reach last year's volume, when it accounted for 1.7 percent of the $233.4 billion of international bonds issued, according to figures from the Organization for Economic Cooperation and Development.

By the end of September, the franc's share of Eurobond volume had already fallen to 1.2 percent, while Deutsche mark bond volume remained steady at about 8 percent, and fixed-rate issues in European Currency Units actually increased their market slice to 4.2 percent from 3.4 percent.

Instead of sharing in the bond boom that accompanied the drop in dollar interest rates, French franc bonds have been hurt by these declines; falling dollar interest rates have dragged down the U.S. currency and pushed up the value of the Deutsche mark against the French franc, creating pressure for a realignment within the European Monetary System.

While James A. Baker 3d, the U.S. treasury secretary, decided that he was willing to accept a lower dollar to avoid U.S. economic stagnation, Edouard Balladur, his French counterpart, threw his support behind the French franc, raising interest rates at the risk of freezing the country's already modest economic expansion. Bank economists earlier had forecast growth of only about 1 percent in 1987, after taking into account an inflation rate expected to reach 3.2 percent to 3.5 percent by December.

Mr. Balladur's move on Oct. 5, necessary to avoid a sudden, inflationary devaluation of the franc so close to next spring's presidential elections, is seen as politically expedient — and temporary.

Nevertheless, there is little joy in the bond market.

"There's no reason why the interest rates should be so high as far as the French economy is concerned," said François de Tinguy, a new issue manager at Crédit Commercial de France.

"It's an entirely political situation," agreed Philippe Loisel, director of trading at Société Générale. "For the moment," he said, the bond investors' attention "should be fixed on the value of the French franc."

The sudden rise in rates on Oct. 5 pushed overnight deposits to 9 percent from 8.25 percent, making the 10 percent yields on 7- to 15-year French government bonds unattractive.

As a result, he added, "people are trying to keep their money in short-term positions."

Brendan Brown, chief international economist at County NatWest, the British investment bank, noted that even before the latest jump in French short-term rates, the yield differential between French and West German 10-year government bonds had widened to about 400 basis points, or hundredths of a percentage point, from 320 basis points in mid-July.

"At first sight it does not make sense," he said. Even after noting reasons for the difference, he concluded that "the yield differential in favor of French bonds appears generous to investors."

Among the initially puzzling aspects of the yield gap, he said, is that French inflation is falling toward the level of West German price rises. With West German prices increasing at just under 1 percent, the French are already close to their target of a 2-percentage point gap between the two countries' inflation rates. Moreover, in 1988, Mr. Brown said, France's inflation is expected to be 3 percent or below, with West Germany's rising to 2.25 percent.

Yet there are also ways to rationalize the yield difference, he said. For one thing, the franc was hurt by the deterioration of French trade prospects earlier this year, after the country recorded a current account surplus last year of about 25 billion francs. He is forecasting a 10 billion franc deficit for 1987; economists at Banque Nationale de Paris estimate the figure at 5 billion.

What's more, the NatWest economist said, the inflation rate, while moving closer to West Germany's, is still above early predictions of 3 percent or less after the 2.1 percent at the end of 1986.

Finally, Mr. Brown contended, there is the political uncertainty. On nervousness that the Socialists might again win the presidency, and subsequently advance in legislative elections, many investors will choose to put their funds in highly liquid assets.

Some investors, however, while eager to improve on Deutsche mark yields, are still wary of the currency risk in francs. Many of them turn to ECUs, Mr. de Tinguy of CCF said, where returns of about 8.25 percent on medium-term bonds split the difference between French and West German yields.

For those who do choose French franc bonds, the extra liquidity of the government market is an advantage over the Eurobond sector, Mr. Loisel of Société Générale said. For issues of five to seven years, he noted, French franc Eurobonds only offer about 50 basis points more in yield than government bonds.

At the moment, the market for new franc Eurobonds is nearly dead. There has not been a new fixed-rate bond since late September, as the treasury is keeping everyone out of the borrowing queue until the market improves. For floating-rate issues, bond specialists say, the outlook is slightly better.

BNP economists, in a recent report on French bonds, also acknowledged the murkiness of their own crystal ball, saying that "Calm will only return to the capital markets when all risk of a collapse of the dollar has disappeared."

JONATHAN ENGEL is on the staff of the International Herald Tribune.

AP

Edouard Balladur

Retrenchment Likely in the City

By Janet Porter

LONDON — London's position as the Euromarket capital of the world is not under threat from the current shakeout of the Eurobond market.

But after a decade of spectacular growth interrupted by only one year of contraction, a period of retrenchment now seems inevitable as financial institutions review the profitability of every section of their Eurobond operations.

The evolution of the Eurobond market into one of the biggest capital markets in the world has underpinned the City of London's standing as the most important financial center in the European time zone. New issues worth almost $188 billion were floated last year, according to Morgan Guaranty statistics, compared with $136 billion in 1985 and just $14 billion 10 years earlier. Turnover reached $3.5 trillion in 1986.

Since its inception about 25 years ago, most primary and secondary Eurobond market activity has been centered on London, with all the top new issuing and trading houses establishing a presence in the City. A sympathetic supervisory environment and the existence of good backup and service facilities gave London the competitive edge over its continental European rivals.

None of this is likely to change, according to those who remember the early days when a dozen new issues was regarded as a hectic week. Dire warnings a few months ago that Britain's new investor protection laws would scare Eurobond market participants to foreign shores have faded away.

Instead, actions by such authorities as the U.S. Treasury, which caused chaos in the market last June when it abruptly announced plans to terminate its bilateral tax treaty with the Netherlands Antilles, and more recently by West Germany's Finance Ministry that created a great deal of confusion over whether a planned new withholding tax applied to Deutsche mark-denominated Eurobonds, only served to reinforce London's reputation.

That is not to say that all is well, though. Far from it. The bond markets may not have grabbed the headlines in quite such a spectacular fashion as the stock markets, but they nevertheless have been having a hard time since late last year when the perpetual floating rate note sector came to a halt.

One of the more fashionable instruments of 1984 suddenly became the most unwanted instrument of 1986 as investors decided they no longer wished to hold paper that had no maturity date, however highly regarded the borrower.

Over the past few months rising interest rates, the dollar's persistent decline, the Netherlands Antilles and German withholding tax fiascoes and, most recently, the plunge in share prices that has depressed convertible issues and those with equity linked warrants have contributed to the gloomy mood that now pervades the whole Eurobond market.

The cutbacks and job losses already announced by Lloyds Bank, Shearson Lehman Brothers, Salomon Brothers, Chemical Bank, Saudi International Bank, Dean Witter Capital Markets and Orion Royal Bank are probably just the beginning of a grim period that could see the numbers employed in the Eurobond market drastically reduced.

"There is not a major firm in London that is not reviewing staffing levels and the whole structure of its international operations," said Ian Kerr, executive director of Kidder, Peabody International. He believes that employment in the Eurobond market probably peaked last December and could now fall by as much as 25 percent before leveling off.

But a period of retrenchment is not unwelcome to many market participants who are more than happy to see a leaner marketplace and the return of wider and therefore more profitable dealing spreads.

Stanislas Yassukovich, chairman of Merrill Lynch Europe, views recent developments positively, pointing out that fringe operators who had contributed to the market's overcapacity are likely to withdraw, leaving behind those with experience and placing power.

John Liegey, managing director of Dean Witter Capital Markets, insists that the Sears Roebuck subsidiary remains committed to London, despite withdrawing from the "congested" Eurobond market.

The big commercial banks, Japanese houses and the niche operators are expected to cope best through the crisis as investors become increasingly selective and as demand for the more exotic instruments vanishes.

JANET PORTER is the European bureau chief for the Journal of Commerce.

Fallout Begins in Commercial Paper Market

By Fiammetta Rocco

LONDON — When the British merchant bank J. Henry Schroder Wagg announced it was pulling out of trading Eurocommercial paper early this fall, the market nodded wisely and said it was a courageous and realistic decision, but one that few other banks would be forced to emulate.

For a short while it seemed as if the market might be right. The ECP market, which allows banks as well as corporate and sovereign borrowers to issue short-term IOUs and sell them directly through dealers to investors without the backing of banks, has grown to outstandings estimated at $50 billion, and it seemed there was room for everyone.

Few other products have enjoyed such rapid growth, and, indeed, the U.S. commercial paper market took 90 years to reach the size its European counterpart had achieved in just two.

Nonetheless, when Salomon Brothers International made the same announcement as Schroder's just one month later, as part of its worldwide cutbacks in October, the market realized the writing was probably on the wall for all but a handful of the 44 banks trading ECP in London.

The fallout will be such, said Citicorp's ECP chief, Len Harwood, that within a year, "you'll see a market that's controlled by five or six major names and a couple of specialist niche players. That's all."

The strongest among these, the market says, are Swiss Bank Corp. International, Shearson Lehman, Merrill Lynch and Citicorp. Yet, although few would disagree now with Mr. Harwood's assessment, no bank will admit to being a weak dealer let alone a potential casualty. The growth in ECP has made it one of the most high-profile products being traded in London, and failures in that market attract a great deal of publicity.

The reason for the fallout is twofold. First, the market is just at that stage of maturity where confident ECP issuers are starting to ax dealers they find are not working efficiently, and second, heavy competition among the dealing banks for new mandates has pared down dealing fees to what one banker calls "starvation portions," probably no more than a couple of basis points on each trade.

Andrew Sykes, head of money markets at Schroder's and one of those who participated in the bank's decision to pull out of the market, estimates that an ECP dealing bank has got to trade $4 billion worth of paper a month to earn the $1 million or so it costs every year to keep a department of 10 people at the break-even point. That is 10 percent of the market. "But," he adds, "with 44 banks trading ECP, obviously very few can honestly say they have one-tenth of the market."

Given that the cake cannot adequately nourish all 44 banks, the fight to retain or even increase market share has become paramount. Almost all the dealing banks, with the possible exception of strong distributors like Morgan Guaranty and SBCI, have put most of their ECP effort into getting new mandates and improving their standing on the widely publicized league tables.

Martha Briley, treasurer at Prudential Funding Corp., speaks for many when she says dealers are so obsessed with the league tables that "there is often an inverse relationship between the number of dealerships a bank has and the quality of service it can deliver." Prudential Funding fired Credit Suisse First Boston and Goldman Sachs from its ECP program in mid-1986.

The most important service issuers are looking for is placing paper with end-investors. Once an issuer's paper begins to flow back into the secondary market, and in certain cases where too much paper was issued at once this flow has become a flood, it quickly interferes with the flow of new paper coming from the issuer onto the primary market and can cause havoc to primary pricing.

The most serious move from an unhappy client came in August, when the market's biggest issuer, General Motors Acceptance Corp., whose entry into the market in mid-1986 had been seen as a true vote of confidence in the then fledgling ECP, fired two of its dealers, Merrill Lynch and Morgan Stanley International. Neither GMAC nor its banks will discuss what happened, but the market widely believes the two fired banks had failed to place enough of GMAC's paper at the right price.

Whether ECP succeeds in becoming more than just a window market for major issuers like GMAC will depend in large measure on how successful the dealing banks are in building up an adequate distributor network. As investors flee the battered equity markets for fixed-rate paper, ECP should get a boost.

FIAMMETTA ROCCO is a contributing editor to Institutional Investor.

Madrid Matador Bond Seeks Bulls

By Tom Burns

MADRID — As the upbeat feeling for the peseta market gathers pace, Spain has opened its bond market to foreign issuers and foreign funds have been created to deal specifically in Spanish shares.

The new bond was dubbed the matador, an instantly recognizable name for a nascent financial instrument that is called upon to compete with Britain's bulldog bonds, the Japanese samurai and the American yankee. The new funds turned their letter heading into a declaration of intent with names such as the First Spanish Investment Trust and the Spain Fund.

Indicators showed that the Spanish economy was moving ahead strongly.

Domestic consumption, already very strong last year, has been a major 1987 theme.

What foreign investors and fund managers noticed particularly, however, was how domestic and business consumption took place against a background of steep interest rates. The rates were the principal weapon employed by the Bank of Spain to reduce the consumer price index from 8.3 percent in December last year to below 5 percent currently.

In May, the rates peaked at 20.2 percent and then began to slide to 17.5 percent in mid-October.

Clearly, the aggressive investment taking place in Spain is financed principally by cash flow, by short-term paper issues and by capital increases with a minimum recourse to bank borrowing.

Predictably, there was a massive inflow of foreign capital. In August, Spain's international reserves posted $25.6 billion against $17.3 billion in the same month in 1986. Reserves, in fact, had outstripped Spain's total external debt, which stood at $24.3 billion at the end of *the first semester* this year.

By October, the Bank of Spain was acknowledging that the economy was growing at a considerably faster rate than it had previously forecast, and it began to relax the stringency it had imposed at the beginning of the year, confident that faster monetary growth would not trigger renewed inflation.

The monetary authorities did, however, seek to check excessive money supply generated by capital inflows and, accordingly, appreciated the peseta by about 2 percent. All year the peseta has held its own or strengthened against major currencies, and the Bank of Spain was hoping that investors would now take their *profits and move out of the peseta.*

The overall economic scenario suggested that the time was ripe for Spain's move into the capital market big leagues, and the financial liberalization under way in Spain as elsewhere provided the appropriate stimulus. Thus, the matador was born and its appearance midway through this year was hailed as a breakthrough in the Spanish bond market.

The first nonresident move to tap domestic pesetas was a 10 billion peseta, 10-year bond by the European railroad consortium Eurofima, which was announced in August. Two weeks later, the green light was given to a second matador, in the form of a similar 10 billion peseta, 10-year bond issued by the World Bank and also managed by the Spanish subsidiary of Morgan Guaranty.

Trading at just over or just below par to yield 12.4 percent at maturity, the matadors sold well. They rapidly appealed to investors, for long-term fixed-rate securities are scarce in the Spanish market. They were particularly attractive to foreign investors, who do not have to pay on matadors the normal 20 percent Spanish withholding tax. It is estimated that up to 20 percent of the Eurofima issue and in excess of 25 percent of the World Bank's were snapped up by nonresidents.

Financial analysts believe that, aside from the chance to tap a new source of funds, the real impetus turning borrowers to the matador is the opportunity it provides for swaps. Eurofima *swapped* its *pesetas for Swiss francs,* Deutsche marks and dollars, and the World Bank earned a few basis points by trading its Spanish currency for Dutch guilders.

These are, nevertheless, early days for the matador and the eventual strength of the new instrument depends on a series of developments that are expected to happen as part of the drift toward financial liberalization.

An important development concerns the end to a restriction limiting the issue of peseta bonds in the domestic market to supranational organizations like the World Bank and Eurofima. Madrid bankers would like to see major world companies considering the matador as a borrowing option. In addition, there is an effective restriction on Spanish residents seeking peseta swaps. Unlike nonresidents, domestic buyers have to request permission from the Finance Ministry to trade with currencies.

The chief question regarding the Spanish bond market is the government's own borrowing plans. So far, it has been cautious. The Treasury issued 2.2 trillion pesetas in gross debt in the first six months of this year, only two-thirds of the figure posted for the first semester of 1986, and issued only 705.6 billion peseta new medium- and long-term government bonds over the period, a 7 percent drop from the January-to-June period last year.

As interest rates fall, public borrowing undoubtedly will increase.

What is clear, as the Spanish market feels its way forward, is the growth of foreign institutions that hold and are increasing their Spanish share portfolios and the parallel growth of direct foreign investment in Spain. These investors are natural partners for long-term fixed-rate peseta swaps that will protect the value of their assets against any future depreciation of the peseta and, as such, they can only sustain the attraction of instruments such as the matador.

Foreign confidence in Spain, at least before October's drop in the world financial markets, was illustrated by the creation of nonresident *investment funds.*

The biggest Spain-only fund, the Spain Fund, was registered at an initial $75 million by Alliance Capital Management, which is owned by the U.S. mutual insurer Equitable Life.

In London, brokers Alexanders Laing and Cruickshank and Lloyds Bank launched the First Spanish Investment Fund with £35 million. The U.S. securities firm Prudential-Bache, meanwhile, registered a $35 million mutual fund with the Securities and Exchange Commission that will invest in Spain and Portugal.

TOM BURNS is the editor of Spanish Trends, a Madrid-based monthly business report, and a contributor to Newsweek and The Washington Post.

'Tombstones' Tell Luxembourg's Story

By Giles Merritt

BRUSSELS — An unusual museum stands immediately opposite Grand Duke Jean's royal palace in the city of Luxembourg. It is a memorial to the great days of the Eurobond market.

Perhaps a more appropriate description than museum would be mausoleum, for the exhibits to be found on the third floor of the building that houses Dresdner Bank's Luxembourg headquarters are "tombstones."

Row upon row of framed tombstone advertisements hang on the walls, recording the Euromarkets' heyday and the Dresdner Bank's profitable participation in scores of the huge syndicated loans that were such a feature of the 1970s.

The borrowers featured in this financial gallery are a mixed bunch, ranging from Brazil's nuclear power industry to sovereign states like Poland. What they have in common is that many of them today make up the global debt problem and have difficulty paying the interest on their loans.

The past five years have seen a slowdown in the Euromarkets, and this year has been a particularly tough one. But it is the past few weeks that have been the toughest of all. The crash that hit the world's stock markets should, on past showing, have rescued Eurobonds from the doldrums and sent them roaring off into a period of renewed activity.

That, at any rate, has long been the pattern. If international investors move out of equities, they turn toward bonds. And vice versa. Offshore financial centers like Luxembourg that are at the heart of the Euromarkets had therefore hoped that the shock waves that since Oct. 19 have battered the equities markets would signal an end to the stagnation in the Eurobond market.

The tiny Grand Duchy of Luxembourg grew rich on the runaway expansion of the Eurobond business over the last quarter century.

The relationship between Luxembourg and *its neighbors regarding* the Grand Duchy's development as a major part of the Euromarkets has been a sensitive and contradictory one. On the one hand, Luxembourg's Benelux partners welcome the emergence of a sophisticated offshore banking *community* within their own tightly knit "economic community within the European Community."

On the other hand, though, the authorities in Belgium and the Netherlands are mistrustful of the scope for tax evasion that Luxembourg offers. Belgium, for instance, last year launched a rare Eurobond when it issued $250 million worth of dollar-denominated fixed-rate paper.

Previously, the Belgian government had been cautious in its approach to the Euromarkets because its issues could be bought by Belgian residents as a way of evading tax. For the same reason, the Belgians last year took steps to stop Luxembourg-launched Eurobonds from being denominated in Belgian francs.

> The crash failed to help the Grand Duchy.

Dutch doubts about the Euromarkets tend to reflect the Netherlands' own ambitions to develop Amsterdam into a much more dynamic financial marketplace. The country is in the process of a step-by-step liberalization of its financial markets and is eagerly promoting the European Options Exchange in Amsterdam as an international center for traded options and dealings in futures.

The decline of the once-booming Eurobond sector began in 1982, and in recent years has become more accentuated still. Classic medium and long-term Eurocredits floated by the Luxembourg banking and financial sector were worth $112 billion in 1984. By last year that figure had dwindled to $90 billion. And now, the funds that have drained out of the stock markets have headed toward the money markets rather than into Eurobonds.

Luxembourg, with its 122 banks, is nevertheless only a comparatively small part of the overall $2.9 trillion Euromarket. And the Grand Duchy's financial community has of late turned toward new growth areas of business such as portfolio management and even reinsurance to compensate for the Euromarkets' decline.

For the Eurobond sector, though, the situation is increasingly serious. So much so that the Paris-based Organization for Economic Cooperation and Development this month published a report warning that the loss of liquidity and investor confidence now jeopardizes the future of the Eurobond market.

The market now seems to be caught in a squeeze of a particularly dangerous type. For the banks, competition for what Eurobond business there still is has reduced profit margins below levels that many bankers consider viable. That should make it a borrowers' market, but both institutional and private investors have been favoring the domestic bond markets, with the result that the Euromarkets have become increasingly illiquid.

That, *in turn,* has *created* problems in the secondary market, and even some of the banks that lead-managed an issue are now refusing to quote buy and sell prices. Together with the fact that a number of notable market-makers *in Eurobonds* have *pulled out of* the Euromarkets, it all adds up to concern that the whole sector requires serious restructuring.

GILES MERRITT is a journalist based in Brussels.

Lira Instruments Show Resilience in a Down Market

By Dalbert Hallenstein

TURIN — Long before the current world stock market crisis, the Eurobond market was suffering the effects of uncertain exchange and interest rates. By early this year, the negative effects of the sliding dollar and nervousness about interest rates were being felt, in Italy as elsewhere, especially in the floating rate note (FRN) Eurodollar market.

Another reason for the decline in Eurobond issues was the almost obsessive interest of investors in the stock market. In Italy, however, the Milan Stock Exchange began registering a downward trend more than 18 months ago, and earlier this year Italian investors, already beginning to register disenchantment with shares, were showing a renewed interest in convertible bonds and bonds with warrants.

In the first six months of this year, the market in Eurobonds denominated in lira showed a surprising resilience.

"Considering the overall negative state of the Eurobond market," said Mario Mauro, head of the Eurobonds department of the Istituto Bancario San Paolo in Turin, one of Italy's leading banks, "everything has gone pretty well. By the first half of 1987 there had been seven issues in lira-denominated Eurobonds, as against six for the whole of 1986. Since then the total for this year has grown to 10 issues, *and there will probably be another one before* the end of the year, though the pace of issues certainly slowed down in the third quarter of this year."

A major problem for lira-denominated Eu*robonds are the high interest rates necessary to* attract investors. Between June 1986 and June 1987, fixed annual interest rates, normally for five-year periods, averaged between 10 and 10.2 percent. By November of this year, interest rates *had risen to 12* percent.

The Italian Treasury, struggling to service past loans on a massive public indebtedness, which amounts to almost 93 percent of the gross domestic product, is now trying to diversify its borrowing instruments, until recently centered mainly on government bonds *aimed* at Italian investors. Among these new instruments is a sharply increased interest in raising money on the Eurobond market.

Last month, the Italian government launched a highly successful international five-year issue on the Euromarket worth 300 billion Japanese yen. This followed a $1 billion issue in mid-September. Apart from diversifying methods of raising money, the Bank of Italy considers such international loans as part of a long-term project aimed at encouraging the *return of capital illicitly exported* in the past.

"The main reason for the reluctance of investors in lira-denominated Eurobonds, in spite of the comparatively high lira-denominated yields, has been the unpredictability of *exchange rates,"* said Sebastiano Patania, foreign investments executive at Creditwest in Milan, a joint-venture bank between National Westminster and Credito Italiano.

Many Italian bankers and economists are convinced that the recent world stock market *crisis will stimulate renewed interest among* Italian investors in the Eurobond market. There has already been evidence of interest in investing savings once again in treasury bonds and other government instruments.

"In the weeks since the stock market crisis, there have been signs of a renewed confidence among Italian savers in Eurobonds," said Mr. Mauro. "Savings are shifting from shares to bonds, and there is a general increase in bond prices everywhere, above all in those denominated in yen, ECU and, particularly, in German marks, where, despite talk of a withholding tax, savers are investing the same because of the possibility of a revaluation of interest rates."

DALBERT HALLENSTEIN is a Milan-based journalist who writes for The Sunday Times.

NASDAQ National Market

OTC Consolidated trading for week ended Friday, November 20

	Div.	Yld.	Sales in 100s	High	Low	Close	Net Ch'ge
A							
A&W Bd			1531	9¼	8	8½	— ½
ABS	.80	6.3	150	14	12¾	12¾	—1¼
ACC Cp			122	1¾	1½	1¾	
ADC s			640	16	14¼	14⅝	—1⅛
AEC	.32	5.2	110	7	6	6⅛	— ⅞
AEL			776	10	9⅛	9½	— ¼
AEP			101	8½	7½	8	— ¼
AIFS			237	4⅞	4½	4½	— ¼
AIM Tel			95	6½	5¾	6¼	
ALC Cm			1612	2⅞	1⅝	1⅞	— ¼
AME			584	6⅞	6⅝	6⅞	
ASK			2611	8¾	7⅞	8⅝	+ ⅞
AST			5757	8½	6⅝	6¾	—1¼
ATI			3257	10⅛	8⅝	9⅝	+ ⅛
AW A			354	1½	1⅛	1⅛	— ⅛
AarnBr			323	8	7⅛	7¼	— ¼
AarnRt	.10	1.4	157	8¼	7	7¼	—1¼
AbingS			338	10	9	9½	— ½
AbeLinc			284	10¾	9½	9½	— ¾
AcaJo h			3177	[illegible]	[illegible]	[illegible]	[illegible]
Acadin			6611	2¾	2⅞	2⅞	+ ⅞
Accel	t		395	6⅛	5	5¼	— ¾
Aceptin			87	10¼	9½	10	— ¼
Aceto	.14r	1.2	240	12½	11¾	11¾	— ½
ACMT s	t		72	11	9	9½	—1¾
AcmeSt			223	12¾	12	12¼	
ActARt			109	12½	10¾	10¾	—1

	Div.	Yld.	Sales in 100s	High	Low	Close	Net Ch'ge
BkSou	.44	3.3	1826	13¾	12⅞	13½	+ ¼
BkStfd s			132	10¼	8¼	9	—1
Bnkest s	.48	6.0	645	8⅝	8	8	— ½
BnkFst			780	8¾	8	8⅝	
BkrNte			571	2¼	1½	1⅞	
BnkgCtr	.20a	1.8	1687	12⅛	10⅞	11⅛	— ⅛
Bnkntn	1.52b	4.8	2383	[illegible]	31½	31½	
BkIowa			300	48	46¾	47¾	+ ¾
BkMAm			767	2	1½	1⅝	— ⅛
Bankvt	.24	1.3	485	20	18⅝	18⅞	—1⅛
Banta	.44	3.2	1555	15¼	13¼	13¾	—1¼
Barden	1.00	4.3	32	23¾	22	23½	— ½
BARR			424	8⅝	7⅞	8⅛	— ⅜
BaretR s			82	3⅝	2⅞	3	— ⅞
Barris			4852	7⅝	6⅝	7⅛	+ ⅛
BaryJw			166	5⅛	4⅛	4⅞	— ½
Barton			149	1	¾	¾	
BsTnA			3468	4⅞	3¾	4	— ½
BasAm s			306	3¼	3	3	— ⅛
BsRInt			2227		¼		
BsetF	.80a	2.6	1476	31½	30½	31¼	— ¼
BayVw			1648	13⅞	13	13⅝	+ ¼
BayaSL s			249	13¾	11½	13	—1
BayBks	1.44	4.3	1700	35	32½	33½	—1¼
Bayly	.12b	3.3	677	4	3¼	3⅝	+ ⅛
BearAu			815	4⅞	3⅞	4⅛	— ⅛
BeautiC			246	5⅞	5	5¼	— ⅜
BeautL			7	3⅝	3	3⅝	+ ½
Beazer			101	11½	11⅛	11½	+ ½
Beebas	.03e	.3	596	10	9¼	9¾	
			7711	16½	15	15⅝	— ½

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(Continued on next left-hand page)

EUROBONDS

Despite Dearth of Issues, Trading Remains Active

By CARL GEWIRTZ

International Herald Tribune

PARIS — Bond prices and currency rates moved in a narrow range last week as markets nervously awaited Washington's budget-cutting action. Despite the lack of volatility and the low volume of new issues, dealers reported that trading in Eurobonds was quite active.

Official figures for the latest week show that total turnover amounted to $101 billion, the lowest level since the late October collapse in stock prices but well over the pre-collapse volume. Trading of Eurodollar straight bonds alone amounted to $21 billion in the week.

Dealers report that investors are using the recent gains in bond prices to swap existing holdings for investments deemed more attractive. Normally this would include upgrading the credit quality or yield and altering the maturity profile of their portfolio.

Dealers say the main concern of investors is liquidity.

While these remain important considerations, dealers say the main concern of investors today is liquidity — assurance that holdings can be traded. As a result, the most-sought after issues in the secondary market are jumbos.

There are only two straight-dollar jumbo sovereign issues in the market, each for $1 billion: Italy's 9 percent three-year notes issued early last month and Canada's 9 percent, 10-year bonds launched last year. Both are trading to yield 50 basis points, or half a percentage point, over comparably dated U.S. Treasury securities.

Italy's issue was initially marketed to yield 60 basis points over the benchmark Treasury paper. More striking than simply the reduction in the yield is the improvement relative to other, smaller, sovereign issues.

Norway, for example, which historically has enjoyed a higher credit standing among Eurobond investors than Italy, has $500 million of 7¼ percent notes maturing in 1991 and that paper is yielding 62 basis points over the benchmark Treasury yield.

THE POPULARITY of Canada's 10-year jumbo also shows up in big yield differences compared with smaller 10-year sovereign issues. Where the Canadian paper trades at a margin of 50 basis points over U.S. government bonds, a $200 million issue for Sweden trades at a margin of 82 basis points and a $200 million issue for Finland at a margin of 90 basis points.

"Investors are putting their faith in big deals; the focus is on liquidity," said Morgan Guaranty's London specialist, Joe Cook.

In the future, he said, "issuers will come to market less often than in the past, but with bigger amounts" in order to benefit from the premium investors are paying for large issues.

Only one new dollar straight bond was launched last week: $200 million for Toyota Motor Credit. Priced to yield 90 basis points over Treasury paper, the Toyota issue ended the week trading just outside the 1⅜ percent fees paid to underwriters. However, Morgan Stanley, the lead manager, said there was strong demand for dollar paper, despite the uncertainty prevailing in the currency market.

But bankers in Tokyo said the Japanese are currently not interested in dollar securities. Investors there continue to borrow dollars but only to buy Treasury paper, essentially a speculation on interest rates and therefore limited to the highly liquid Treasury market, where spreads between bid-asked prices are thinnest.

Apart from considerations about investor appetite, bankers say new-issue volume is down because most major borrowers have completed their funding plans for the year. Others, like Belgium, which is considering tapping the market for $400 million or the equivalent, are waiting to see what happens to interest rates once the United States has made clear its budget-cutting intentions.

The proceeds would be used to prepay an existing floating rate note, but Belgian officials said no decision would be taken until this week. It could try to tap the straight Eurodollar market or the Euro-yen sector. Japanese bankers say the lowest cost of funds could be achieved by issuing a dollar bond and swapping the proceeds into fixed-rate yen, assuming that Belgium is willing to take the currency risk against the yen.

The Euro-yen sector was quite active last week and prices were up sharply. In part this was in response to lower interest rates in Japan, where the yield on the government's benchmark bond dropped 25 basis points last week.

But the Euro-yen sector also benefited from the shift of foreign investors out of domestic paper and into the Euromarket. Investors expect Japan's Finance Ministry to close a loophole whereby foreign investors escaped withholding tax on domestic bonds and are shifting into tax-free Euro-issues.

Only one Euro-yen issue was marketed last week. Mortgage

See BONDS, Page 15

Science of Chaos Sees Order in Markets' Disarray

By James Gleick
New York Times Service

The Associated Press

Chaos on the New York Stock Exchange. Some economists suggest that the increasing interconnection of global markets may be leading to volatility of a kind not seen before.

NEW YORK — That the stock market embodies turbulence, mayhem and unpredictability, no survivor of October 1987 can doubt. Some economists, borrowing the vocabulary of a new branch of science, believe that it also represents chaos.

The science of chaos, a fast-growing, interdisciplinary exploration of complex systems from the weather to the human heart, has challenged conventional approaches to random-seeming phenomena, offering innovative techniques for unraveling disorder.

When they speak of chaos, scientists mean erratic behavior that appears to be random but is not. Economists are beginning to apply the techniques of chaos theory to the especially intricate and self-conscious brand of disorder displayed by the financial markets. After the explosive movements of the last month, some researchers believe that chaos theory may be particularly appropriate to the stock market, a system notorious for creating trends and then violently defying them.

As applied to economics, a notoriously fickle science, such ideas are uncertain. Nevertheless, for those who follow the market closely, they offer a new way of looking at familiar problems, from the market's internal workings to the overarching forces of the world's economy.

"We now know very clearly that stock market prices cannot be analyzed by the old procedures that we used," said James Ramsey, a New York University economist who has become a specialist in chaos.

"People are asking more cogent questions, and they're observing behavior that begins to be amenable to the ideas of chaotic dynamics," he said.

The stock market is the economy's most visible showplace for the waxing and waning of wealth and confidence, a sensitive hybrid of the facts of corporate finance and the whims of mass psychology. Even the relatively unorthodox economists thinking about chaos disagree about just how their new ideas apply. Nevertheless, they are engaging in some provocative speculation:

• Some contend that the market may be becoming unbalanced as information flows more efficiently and as traders grow more sophisticated in responding to it. As the global network of buying and selling becomes increasingly interconnected and computerized, they suggest, it may be leading to volatility of a kind never before seen.

• Others suggest that chaotic leaps in prices undermine some key techniques for hedging against loss, requiring a reassessment of traditional market safeguards. Chaos theory cannot help in predicting stock prices, they say, but it may help guide those who make the rules by which the game is played.

• Chaos theory provides a more subtle way of thinking about the effects of global forces like the budget deficit and the balance of trade. Such effects, the researchers say, can interact in unexpected ways, with time lags that sometimes obscure their importance.

• Traditional ways of looking at stock market data, from so-called random walk theory to technical analysis, come into serious question in light of chaos, according to some economists.

Extreme events are a hallmark of chaotic systems. Physicists have learned to focus on the way tiny fluctuations are magnified, turning small bits of instability into large-scale booms and busts. Some scientists believe that the stormy oscillations of the last month reflect those tendencies in the financial markets.

"Somebody who's worked on chaos is in no way surprised that this sort of thing happened," said David Pines, a University of Illinois physicist. "It's expected of such systems — they're so sensitive to small perturbations."

Mr. Pines helped organize a meeting of economists and chaos theorists at the Santa Fe Institute to explore such possibilities in September, "pre-Black Monday," he said, referring to the stock market collapse on Oct. 19.

The essence of the scientific approach to chaos is a search for underlying patterns of a kind that have been discovered in a variety of seemingly random systems.

Scientists studying chemical reactions, wildlife populations and electronic circuits have found that simple systems can produce streams of data that rise and fall as erratically as the stock market, indicating that they may be governed by the rules of chaos.

But unlike any physical system, economics exists in a world with politics and history. It has the doubly entangled complexity that comes with human behavior: The same people trying to understand the stock market are quite capable of influencing the variables they seek to predict.

"Economic models are filled with agents that are trying to understand what other agents are doing, unlike physical models," said William A. Brock, a University of Wisconsin economist. Weather forecasters, essentially unsuccessful at predicting their version of chaos, at least know that the laws of physics remain unchanged from day to day and that their cyclones and anti-cyclones will not suddenly develop will and memory.

Still, some economists familiar with modern trading technologies believe that chaos theory, or "nonlinear" dynamics, gives a telling look at forces of instability that tended to elude older models of economic behavior.

"Before nonlinear dynamics started capturing people's imagination," Mr. Brock said, "we basically spent most of our time on evidence of stability."

There were moments, during

See CHAOS, Page 14

Business Expects U.K. Economy to Grow 2% in '88

Agence France-Presse

LONDON — Britain's economy will grow by 2 percent next year, against 4 percent this year, the Confederation of British Industry forecast on Monday.

The forecast is the first by the employers' organization since the stock market crisis in late October.

On Nov. 3, the chancellor of the Exchequer, Nigel Lawson, also forecast that the economy would grow by 4 percent this year, but predicted growth of 2.5 percent in 1988, despite uncertainties stemming from the market crisis.

The 4 percent forecast for this year is a full point above the 3 percent projection in the March annual budget for growth in gross domestic product. GDP measures the total output of goods and services excluding income from foreign investment.

The confederation's predictions for GDP are based on a base lending rate by big banks, from which other rates are scaled up, of 9 percent until the end of this year, and then 8 percent.

It forecast that the rate of growth of industrial production would slow to 4.9 percent next year, from an increase of 5.8 percent this year.

Consumption will rise by 2.8 percent next year, against 4.4 percent in 1987, the confederation said, because of slower growth of disposable income.

Britain's export growth will be only 1.7 percent next year, compared with 5.5 percent this year, as world trade growth slackens off to 3 percent in 1988, it forecast, compared with 3.3 percent in 1986.

Britain's current account, a broad trade measure that includes such things as services as well as merchandise trade, will be in deficit by £3.2 billion ($5.7 billion) next year, against £1.6 billion this year, the confederation said.

Industrial investment will rise by 2 percent this year from 1986, it forecast, although comparison of the two years is deceptive because of changes in tax write-offs.

Industrial investment in the second half of this year would be 6.5 percent more than in the same half last year, and 7 percent more next year than this.

The CBI said it expected that private investment would rise by 7.5 percent this year.

The number of jobless, reported at 2.87 million in September, will remain below 3 million this year, but the downward trend will stop during the second half of next year, the confederation predicted.

U.S. Mulls 'Free Trade' With Japan

Reuters

TOKYO — A day after asserting that Japan's refusal to open its construction market was "not acceptable," the new U.S. commerce secretary has held out the possibility that Washington and Tokyo could reach a free trade pact similar to the U.S. arrangement with Canada.

"Japan and the United States are so important to each other that perhaps establishing some kind of special relationship" might "be a good answer," C. William Verity said Saturday.

In September, the United States and Canada agreed to fully open their markets to each other's products. Noting that Tokyo and Washington have been conducting frank trade talks for some time, Mr. Verity said that negotiations could result in a pact similar to the U.S.-Canadian agreement.

"That might be constructive," he said, as he ended his four-day visit.

On Friday, Mr. Verity had warned that the United States might retaliate if Japan continued to bar U.S. companies from participating in public works projects.

But on Saturday, Mr. Verity said that the Japanese had left the door open to the possibility of a compromise over U.S. demands for increased foreign participation.

Small-Car Glut in U.S. Explains VW Shutdown

Compiled by Our Staff From Dispatches

DETROIT — Volkswagen AG's decision to close its U.S. plant resulted from a glut in the American market for small economical cars, which once was VW's almost exclusive province, industry analysts and executives say.

"If you ever needed a statement about the overcapacity problem in this country, there it is," said William Prior, president of Yugo of America.

VW, citing the Pennsylvania plant's undersized capacity and the expected low demand for the Golf and Jetta cars it produces, said Friday it would shut the facility at the end of the 1988 model year. It noted that the plant had little prospect of becoming profitable because of intense competition in the market for small cars.

One auto industry executive estimated that 35 brands of small cars were now sold in the United States. Some are made in countries with very low wage rates, such as South Korea, Mexico and Yugoslavia.

As a result, VW models are often priced considerably higher than competing makes. The cheapest VW Golf is listed at $7,990, compared with less than $6,000 for the Korean-made Hyundai Excel.

"Back in the days of the Beetle, Germany was the low-cost producer," said Harvey Heinbach, an analyst with Merrill Lynch. "Today you can't source your production in Germany and the United States when you have competition from Korea and Mexico."

VW, whose seldom-altered Beetle was the best selling foreign car in the United States for much of the 1950s and 1960s, also failed in recent years to develop exterior and interior styling to meet U.S. consumer demand, said Tom O'Grady, president of Integrated Automotive Resources.

"They never built anything to follow up on the Beetle," he said. "It's endemic to the problems that VW has had with its product."

With more Japanese-owned plants scheduled to open in the United States in coming years, VW's sales outlook was bleak. And more low-priced cars from such countries as Taiwan, Malaysia and Thailand are expected.

VW said it hoped to find a buyer for the plant at Westmoreland, Pennsylvania, which began operations in 1978, but analysts said that prospects were limited.

Ron Glantz, an analyst with Montgomery Securities, said that the most likely buyer for the plant was Ford Motor Co., probably for use in a planned joint venture to build a van with Nissan Motor Co. of Japan. He said that Ford officials recently toured the plant.

VW said it would move production of Jetta and Golf cars for the U.S. market to its plant in Wolfsburg, West Germany. But some analysts and union officials are skeptical that the company can maintain current annual sales of about 200,000 vehicles.

"Exporting Golf and Jetta models from Germany at current exchange rates is not a profitable business," said Kai Hedbahny, an analyst at Morgan Stanley.

(*NYT, Reuters*)

Taiwan Says Trade Doubled With East European Nations

Compiled by Our Staff From Dispatches

TAIPEI — Taiwan's trade with Eastern Europe more than doubled in the first 10 months of this year from a year earlier, to $202 million, the Board of Foreign Trade reported over the weekend.

The report, issued Saturday, said that Taiwan hoped to further boost trade by allowing businessmen to open offices in all East European countries except the Soviet Union and Albania. Businessmen also will be allowed to establish direct telecommunications links with East European countries.

About two-thirds of the business negotiated between Taiwan and Eastern Europe has been handled by Japanese trading houses and other foreign intermediaries since the Taipei government lifted a trade ban with Eastern Europe in 1980, the board's report said.

It said exports to nine East European countries grew by 110 percent to $59 million in the first 10 months of 1987; imports rose 105 percent to $143 million. That left a trade deficit of $84 million for Taiwan.

Taiwan imports machinery, chemicals, cotton and basic metals from Eastern Europe and exports textiles, electrical appliances and plastics.

A senior official of the Board of Trade said increased trade with East European countries was part of Taiwan's efforts to diversify markets amid trade friction with the United States. (*AFP, Reuters*)

■ Seoul's Surplus Soars

South Korea's central bank says the nation's current-account surplus soared to a record $8.01 billion in the first 10 months of this year, more than twice the $3.21 billion posted in the comparable period of 1986, Reuters reported from Seoul.

Currency Rates

Cross Rates Nov. 20

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	1.8855	3.3445	1.1257	[illegible]	[illegible]	—	5.376*	1.3497	1.2852*
Brussels(a)	35.0025	62.65	20.945	[illegible]	[illegible]	[illegible]	—	25.49	[illegible]
Frankfurt	1.6747	2.989	—	[illegible]	[illegible]	[illegible]	4.773*	1.2175	[illegible]
London (b)	1.7885	—	2.9945	10.17	2,206.00	3.365	62.58	2.457	240.95
Milan	1,234.00	2,201.30	736.44	216.86	—	[illegible]	[illegible]	[illegible]	[illegible]
New York(c)	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]
1 ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1 SDR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Closings in London, Tokyo and Zurich, fixings in other centers. New York closing rates.
a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argent. austral	3.94	Fin. markka	4.1125	Mex. peso	2225.00	S. Afr. rand	1.972
Austral. $	1.453	Greek drac.	131.95	N. Zealand $	1.618	Soviet ruble	0.6715
Austr. schill.	11.84	Hong Kong $	7.7845	Norw. krone	6.3575	Span. peseta	113.25
Belg. fin. fr.	35.48	Indian rupee	12.9782	Phil. peso	20.833	Swed. krona	6.0015
Brazil cruz.	59.35	Indo. rupiah	1635.78	Port. escudo	136.00	Taiwan $	29.70
Canadian $	1.3105	Irish £	0.6324	Saudi riyal	3.7484	Thai baht	25.445
Chinese yuan	3.7221	Israeli shek.	1.5762	Sing. $	2.031	Turkish lira	932.77
Danish krone	6.4087	Kuwaiti dinar	0.2782	S. Kor. won	794.50	UAE dirham	3.6727
Egypt. pound	2.17	Malay. ring.	2.496			Venez. boliv.	30.87

New York rates unless marked * (local rate).

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.7925	1.7912	1.7892	Canadian dollar	1.3119	1.3135	1.3145
Japanese yen	134.86	133.70	133.34	Swiss franc	1.361	1.3575	1.3535
Deutsche mark	1.6591	1.6544	1.6497				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

			Chg.
United States			
DJ Indus.	1,913.63	1,935.01	– 1.11%
DJ Util.	180.18	181.96	– 0.97%
DJ Trans.	726.29	745.57	– 2.59%
S & P 100	237.74	241.20	– 1.44%
S & P 500	242.00	245.64	– 1.48%
S & P Ind	276.81	281.12	– 1.53%
NYSE Cp	135.56	137.60	– 1.48%
Britain			
FTSE 100	1,633.40	1,678.30	– 2.68%
FT 30	1,285.50	1,317.10	– 2.40%
Japan			
Nikkei 225	22,705.56	22,448.25	+ 1.15%
West Germany			
Commerzbk	1,325.70	1,379.00	– 3.87%
Hong Kong			
Hang Seng	2,214.70	2,226.74	– 0.54%
World			
MSCIP	394.10	390.90	+ 0.82%

World index from Morgan Stanley Capital Intl.

Money Rates

	Nov. 20	Nov. 13
United States		
Discount rate	6	6
Federal funds rate	6¾	6⅝
Prime rate	8¾	8¾
Japan		
Discount	2½	2½
Call money	3⅝	3¾
3-month interbank	3 15/16	3 15/16
West Germany		
Lombard	4.50	4.50
Call money	3.55	3.60
3-month interbank	4.00	4.00
Britain		
Bank base rate	9½	9½
Call money	[illegible]	[illegible]
3-month interbank	[illegible]	[illegible]
Gold		
London p.m. fix, $	465.75	464.95 + 0.16%

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

(Continued)

Sales in 100s High Low Close Net Ch'ge

CHAOS: *Scientific Theory Attempts to Put Order Into Market Confusion*

(Continued from first finance page)

the collapse of Oct. 19, when the stock market produced the financial equivalent of water flowing uphill.

Options to buy or sell stock were seen moving in precisely the wrong direction, as the usual computer-controlled relationships broke down in the face of the rapid swings. Stock prices leaped broad gaps, frustrating strategies meant to insure against less extraordinary declines.

The wildness offered a vivid example of how large-scale behavior emerges from the microscopic details of trading. As prices began to plummet, the turmoil did not seem directly tied to the grand trends of budget deficits or the psychology of world events.

The real dynamics of the collapse were such contingencies as whether an over-the-counter market maker could or would answer his phone at a given instant; whether a sharp price change would breach a threshold and set off computers managing the intricately timed strategies of program trading and portfolio insurance; whether a simultaneous order to buy or sell the 500 individual stocks that compose a Standard & Poor's index could be handled by the frantic specialists on the market floor.

Whether the mechanics of such events can be convincingly modeled by the techniques of chaos is far from clear. Physics and mathematics do not offer simple equations for human turmoil.

"It is true that people who have been *studying the stock market* with the tools of nonlinear dynamics have found, before this last episode, evidence of chaotic behav*ior," said Kenneth J. Arrow, an* economist at Stanford University, California, and Nobel laureate.

"It's tempting to jump from that to a statement about recent events, but I don't think anything can explain *a fall of 20 percent in one* day," Mr. Arrow said.

Nevertheless, some economists contend that chaos provides a natural way of seeing the crucial connections between the details of trading and the large-scale dynamics of the market.

The economy, like complex systems in nature, combines forces on the microscopic scale and the global scale. Just as the observable behavior of the earth's atmosphere emerges from the interaction of a *nearly infinite number of molecules*, large-scale movements in the financial markets arise from millions of individual decisions to buy and sell.

In chaotic systems, surprises occur when the individual components are added together. In the stock market, one surprise that traders and market officials are debating fiercely has been the combined effect of powerful new techniques like program trading, the computer-managed arbitrage of index futures. Some chaos theorists believe *that program trading is* only a piece of a larger, possibly foreboding, picture.

Program traders make money from small discrepancies that appear between the prices of index futures and the underlying stocks. One force that creates such discrepancies is portfolio insurance, a method of hedging against loss that led, on Black Monday, to a sudden, rapid selling of futures.

Index futures allow traders to bet on the mass movements of 100 or 500 stocks: When the price of *the futures departs from* the prices of the underlying stocks, it is possible to profit by selling one and buying the other. The strategy only works because computers can quickly calculate the small fluctuations and issue hundreds of simultaneous orders.

Program traders, and many economists, argue that such practices make the market more efficient and therefore more stable, by keeping prices in line and preventing large anomalies from opening up. Others contend that the huge *volume of buying and selling contributes* to volatility.

Some chaos-minded economists argue that program trading is only a part of a deeper trend.

They speak in terms of information flow and the global coordination of market strategies. More than ever, they note, separate markets are working in concert: the stock, credit and currency markets; and the New York, London and Tokyo markets.

Inefficiency, they suggest, helped keep markets stable.

"When no one knows what's going on, or rather everyone has a different opinion, it's like a bunch of atoms bouncing around in a bowl," Mr. Ramsey said. "You get a whole continuum and prices tend to remain in a steady state. So when *information comes in, things tend* to move very slowly."

When opinions become more harmonious, and reactions become similar, he said, market balance becomes more precarious. If the market turns down for some outside reason, many participants react uniformly — a process of which program trading is a part.

A few economists believe that another lesson of chaos was confirmed in the Oct. 19 collapse: that *prices change in jagged steps, rather* than in the unbroken trajectories that economists traditionally visualize.

The difference is not just academic, as many traders and portfolio managers discovered. When prices *leap from one level to another* without passing through the intervening points, they can defeat fail-safe strategies based on traditional assumptions.

"Most traders do tend to think of these things as being continuous," *said James L. Kaplan, a Boston* money manager with a background in the mathematics of chaos. "Moreover, in their minds, they basically try to fit lines or curves to everything. If you believe the chaotic model, then there's no reason to think that that works."

The attention to market dynamics comes amid confusion over the role of national policy and other fundamental forces in influencing market behavior.

Forces such as the U.S. budget deficit, the dollar's plunge and the inflation rate certainly affect the market's dynamics, but their effects remain unpredictable. Economists repeatedly find themselves unable to distinguish good news from bad.

Unpredictable, however, does not necessarily mean random. Lessons learned in physics and mathematics over the past two decades suggest a new way of thinking *about such forces. Their relationships* cannot be graphed with neatly proportional straight lines that correspond to linear equations. They require nonlinear equations, which more accurately reflect the interplay of economic forces, but are much harder to solve.

And because nonlinear relationships produce surprising behavior, both their direction and their tim*ing can run counter to intuition.*

One of the few near-certainties that have emerged in the minds of market analysts and government budget negotiators in Washington is the harmful influence of the federal deficit. The puzzle, as many economists have noted, is that until last month the unprecedented growth of that same deficit ran hand in hand with an ebullient bull market.

Other fundamental elements of the economy are even more confusing. The falling value of the dollar overseas surely plays a key role, yet on any given day, analysts cannot agree on whether the stock market has rallied because of, or in spite of, a rally in the currency markets. Rising interest rates are known to mean falling stock prices, except when, as during the last month, falling stock prices mean falling interest rates.

Many economists who participated in the Santa Fe meeting said that they had begun to see the limits of more orderly models based on old ideas about how systems come to equilibrium.

"They've really recognized that what they're doing isn't working, but they haven't seen a better way to go," Mr. Pines said. "What's missing is the notion that things might really be chaotic, not orderly, and that these interactions can lead to genuine instability."

A powerful tradition in stock-watching has treated price fluctuations as purely random, a "random walk," as one school has it. The market has no memory, according to extreme forms of the random-walk view; its ups and downs on any given day bear *no relationship* to previous moves, or to real economic trends.

Some of those who favor chaos assert that the scale of last month's collapse was too vast to be explained as part of a random walk.

"The random-walk approach says there is no underlying dynamic," said James A. Yorke, a mathematician who is acting director of the Institute for Physical Science and Technology at the University of Maryland. "I think the drop on Black Monday is inconsistent with the random-walk approach. If you look at the size of fluctuations on a typical day, there's essentially no probability of a drop of 500 points."

Thus, real causes and effects do govern *market* behavior. But in nonlinear models, their workings are not always easy to discern.

One revealing approach is to watch *how such models* behave when altered by a sudden jolt of some kind. Robert May, a biologist at Princeton University in New Jersey, has described the surprising behavior of a simple model for the yearly progress of a disease. When the model is "perturbed" by a change responding to a program of inoculation, the level of disease does not coast downward smooth*ly, as traditional* epidemiologists might expect.

Instead, the model embarks on a series of broad oscillations, swinging downward one year but up again the next. Only after several years have passed does a new, healthier equilibrium emerge. In real life, similar patterns of oscillations have been observed.

A policy maker seeing an upward swing might be tempted to look for a specific cause of the disease's resurgence, not realizing that such oscillations are a predict*able outcome of a nonlinear sys*tem. Similarly, chaos theorists suggest that the stock market's behavior does reflect underlying economic forces, but with time lags and patterns of oscillation that remain inscrutable.

Such methods are most successful in helping to understand the general character of irregular behavior — the degree of volatility or the likelihood of oscillations. They can help in predicting how changes in a system's rules might increase or decrease stability.

Whether they will ever help economists make more precise predictions remains in question. For now, many economists believe it will be hard enough for their science to become comfortable with extraordinary occurrences — events that used to be treated as exceptions. Psychologically, that remains difficult, as those studying chaos have discovered.

Benoit Mandelbrot, a mathematician at International Business Machines Corp., said: "The phenomenon of extreme events being viewed as being individual acts of God, as opposed to daily ordinary behavior is one that is very natural to the human race."

Euromarts At a Glance

Eurobond Yields

	Nov. 18	Nov. 11
U.S. $, int'l inst., 8 yrs & over	9.82	9.79
public issuers, 8 yrs & over	9.94	10.07
other issuers, 8 yrs & over	10.25	10.18
other issuers, 5 to 7 yrs	9.84	9.88
Pounds sterling, 5 to 7 yrs	9.81	9.75
French francs, less than 5 yrs	10.13	10.16
ECU, 8 yrs & over	9.12	9.18
5 to 7 yrs	8.75	8.66
Can. $, 5 to 7 yrs	10.95	10.97
Aus. $, 5 to 7 yrs	14.32	15.19
N.Z. $, less than 5 yrs	18.45	19.34
Yen, 8 yrs & over	6.25	6.16
5 to 7 yrs	5.49	5.50

Source: Luxembourg Stock Exchange.

Weekly Sales Nov. 19

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	—	547.60	7.30	2,412.80
Convert.	—	—	8.80	1.90
FRNs	2.00	138.90	33.00	1,616.70
ECP	867.10	91.50	4,286.00	227.80
Total	869.10	778.00	4,371.10	4,259.20

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	7,272.10	11,214.40	13,940.90	11,798.90
Convert.	328.30	421.30	1,318.10	712.50
FRNs	1,514.70	1,766.30	7,222.10	3,535.50
ECP	1,791.50	72.40	3,363.10	151.80
Total	10,906.60	13,474.40	25,844.20	16,198.70

Source: Euroclear, Cedel.

Libor Rates Nov. 20

	1-month	3-month	6-month
U.S. $	6 13/16	7½	7½
Deutsche mark	3 11/16	4	4⅛
Pound sterling	9	9	9
French franc	7 13/16	8⅝	8 9/16
ECU	7	7¼	7 5/16
Yen	4¼	4 7/16	4⅝

Source: Morgan Guaranty, Lloyds Bank, Reuters.

Chicago Exchange Options

Figures as of close of trading Friday. November 20

Option & price Calls Puts

American Exchange Options

Figures as of close of trading Friday. November 20

Option & price Calls Puts

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New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Yukong	$ 50	1995	⅛	100	—	Over 6-month Libor. Redeemable at par in 1992. Fees ⅜%. 50% payable on subscription and balance in 6 months. Denominations $50,000. Issued in Asia.
IMI Bank Int'l	¥ 10,000	1993	0.55	100¼	—	Below the Japanese long-term prime rate, semiannually. Fees 0.50%. Denominations 10 million yen.
FIXED-COUPON						
Toyota Motor Credit	$ 200	1990	9	101.18	99.68	Noncallable. Fees 1⅞%.
Ireland	DM 300	1995	6⅛	100	97.75	Noncallable. Payable in January. Fees 2¼%.
Northern Telecom	£ 60	1992	9¾	100⅝	98.58	Noncallable. Fees 1⅞%.
Banque Française du Commerce Extérieur	FF 900	1992	11½	105.80	—	Redeemable at par in 1991. Private placement. Fees 1⅝%.
Banque Française du Commerce Extérieur	FF 100	1992	11½	107.32	—	Coupon payable quarterly. Redeemable at par in 1991. Private placement. Fees 1⅝%.
Industrial Bank of Japan Finance	ECU 100	1993	8⅜	101¾	99.75	Noncallable. Fees 1⅞%.
Long Term Credit Bank of Japan	ECU 100	1994	8⅜	101½	99.63	Noncallable. Fees 1⅞%.
Mortgage Bank of Denmark	¥ 20,000	1992	5½	101¾	99.75	Noncallable. Fees 1⅞%.

BONDS: *Trading Is Active, Despite Dearth of Issues*

(Continued from first finance page)
Bank of Denmark sold 20 billion yen of five-year notes at 101¾, bearing a coupon of 5½ percent.

Two Japanese issuers tapped the market for European Currency Units. The issues from Industrial Bank of Japan and Long Term Credit Bank were essentially private placements, aimed at Japanese institutional investors who like the high coupon on ECU paper.

Likewise, the French franc issue from Banque Française du Commerce Extérieur was also a private placement aimed at giving a high current yield of 11½ percent. But the high offering price of 105.80 on the portion that pays interest annually and 107.32 on the portion paying quarterly interest meant that BFCE's actual cost of funds after deducting the underwriting fee it kept for itself amounted to just over 10 percent.

In the Deutsche mark sector, dealers complained that the 300 million DM of eight-year bonds offered by Ireland was the wrong name at the wrong price and too long a maturity. The paper was offered at par bearing a coupon of 6⅛ percent. Less the underwriting fees, the yield was about 6.45 percent, about equal to the yield on government bonds.

Normally, Ireland would be expected to yield at least 35 basis points over the level of government bonds. But as West Germany has indicated that it plans to impose a withholding tax on domestic interest payments, the pricing on the tax-free Irish issue was intended to reflect this change. The paper ended the week trading at a discount of 2¼ points, equal to the underwriting commissions.

In the sterling sector, Northern Telecom sold £60 million of notes maturing in five years and one day. That was designed to escape withholding taxes on interest payments that Canada imposes on borrowings that are not longer than five years.

The issue, priced at 100⅝ with a coupon of 9¾ percent and less the 1⅞ percent underwriting fees, yielded 110 basis points over gilts. However, bankers said British institutional investors want longer-dated 15-year paper. Continental investors do prefer short maturities, but they are not buying sterling currently.

REACTION: *Budget Cynicism*

(Continued from Page 1)
by the so-called hard cuts, which do not include any substantial revenue-raising increase. He cited the closing of a loophole on real estate transactions; maintenance of a 3 percent tax on telephone usage which had been scheduled to be phased out; an acceleration of tax payments amounting to $1.9 billion; and a reduction in debt service payments of $1.2 billion this year and $3.5 billion next year, resulting from asset sales.

"The economic arithmetic is simple," he said. "The United States is spending $150 billion a year more than they are earning and there is nobody left in the world who's willing to lend them that."

Mr. Brainard of Bankers Trust remarked, "There is nothing in this package that you could look at and say 'Now is the time to buy the dollar.'"

However, analysts agree that market psychology could be favorably affected by two factors.

U.S. Treasury Secretary James A. Baker 3d has said he will not seek a meeting of the Group of Seven, the leading industrial nations whose policy coordination is essential to economic harmony, until Congress has implemented the proposed budget cuts.

That delays a Group of Seven meeting at least until the end of this year. Analysts said that the foreign exchange market might go into suspended animation awaiting the outcome of that meeting, which presumably would be aimed at restabilizing the dollar.

The other possibly positive element is that the budget-cutting legislation, known as the Gramm-Rudman-Hollings law, did get the Reagan administration and Congress to act on the deficit.

Presumably, then, financial markets could draw assurance that the bill's target deficit of $108 billion in fiscal 1989 will be respected and that the deficit will be cut by at least $36 billion per year thereafter.

The New York bank trader said that market participants probably were fed up with the month-long discussions about the budget deficit.

He said he expected that traders "will now turn to the next items of business: October's U.S. trade figures due early next month, and data indicating whether last month's collapse in stock prices has had any effect on domestic demand."

The trade data, he predicted, will not be encouraging. The final three months of the year always produce bad trade figures, he said.

Meanwhile, there is still no certainty that the record 508-point drop in the Dow Jones industrial average on Oct. 19 had significantly dented domestic demand.

If demand is intact, the worries about an overheating U.S. economy and rising inflation that contributed to October's havoc in financial markets could re-emerge.

Now, however, U.S. stock prices are seen as moving "sideways" by Mr. Brainard. He said that Wall Street "had already discounted action on the budget and will now focus on what happens to interest and inflation rates."

As for the dollar, traders expect it to temporarily stabilize at current low levels, moving within a range of 1.60 to 1.70 Deutsche marks and 1.30 to 1.37 yen. Friday's New York closing levels had the dollar at 1.6825 DM and 135.60 yen.

Weekend trading in the two markets that were open was relatively calm. Foreign currency trading in Bahrain left the dollar at levels set Friday in New York. In Hong Kong, the price of gold was down $1.13 an ounce at $468.62.

In the face of widespread skepticism in the private sector, government officials praised Washington's budget moves.

Finance Minister Gerhard Stoltenberg of West Germany called the agreement "effective and credible." He said it was "a most important confidence-building measure for the currency and stock markets."

Japan's finance minister, Kiichi Miyazawa, said he hoped that "the necessary steps will be taken quickly to implement the agreement and it will have a favorable impact on foreign exchange and other markets."

In France, sources close to Finance Minister Edouard Balladur said that the government was "very happy" with the accord.

Mr. Lawson said that the budget pact was "perfectly adequate for the time being."

Statoil's Chief Steps Down

Agence France-Presse

OSLO — Arve Johnsen, managing director of Norway's state-controlled oil company Statoil, announced his resignation Sunday, yielding to political pressure caused by cost overruns of 5.4 billion kroner ($845 million) in a refinery construction project.

All six government-appointed board members resigned Friday. Five other Statoil directors announced earlier Sunday that they would not resign, even if Mr. Johnsen was forced to leave. The employees' board representatives have also announced their intention to stay on.

Statoil's top management has come under severe criticism over an oil refinery at Mongstad that will cost at least 10 million kroner, or more than double what was projected.

Wall Street Review

NYSE Most Actives

	Vol.	High	Low	Last	Chng.
GTE s	174268	36¾	34½	36½	+2⅜
NiaMP	168546	13⅝	12⅝	12⅝	—⅞
AT&T	101873	29⅞	27¾	28¼	—1⅛
IBM	94554	123¼	114⅝	117¾	—3⅞
GenEl s	87491	47	43⅝	45¼	—¾
Exxon s	76015	41⅛	38¼	40⅜	—⅞
EKodk s	69876	50¼	46⅝	47⅝	—1⅜
CnllPS	66469	21⅛	20¼	20⅞	
ConsEd	64448	44⅛	43⅛	43½	—⅛
Citicrp s	63117	20⅝	17⅝	19⅛	—⅞
AldSgnl	61605	33½	29⅝	30⅝	+⅛
AExp s	60435	25⅞	22⅝	24	—1
PaimE s	60333	23¼	21⅝	21⅞	—1⅛
McDerl	57100	16¾	15¼	16	
Mobil	54904	38⅝	33⅞	37	—¾
Unisys s	53933	33⅛	29⅞	30	—2⅝
StorTch	53272	1⅝	1⅛	1¼	—¼
Chrys s	53120	24¾	21⅞	23	—1⅛
PhilPet	50827	11½	10⅝	10¾	—1⅛
PacGE	50782	19⅛	17⅝	18	+⅛
Sears	50225	37½	34½	35½	—⅜
FordM	48190	77⅞	73	75½	+⅛
UCarb	46813	24	21	21⅝	
USX	46789	29	26¾	27	—1⅛
DualLr	46704	12⅛	11⅛	12	+⅜

AMEX Most Actives

	Vol.	High	Low	Last	Chng.
TexAir	20809	13½	11⅛	11⅜	—1⅛
NY Time	16970	30¼	26½	27	—2½
LorTel	16598	10	9	9¼	+⅞
BAT	14442	8¼	7½	7¾	—
WangB	14269	11½	10¼	10⅞	—¼
EchB g s	13777	19⅝	17½	18⅞	—⅞
GCdaR n	11486	12⅝	10⅛	10⅝	—2⅝
Amdahl	11011	31	27	29¼	—⅝
Teleson	10491	5¼	3⅞	4½	+⅜
ICH	7474	8½	7⅛	8	+¼
BirPh s	7068	18½	14	16¼	—1⅝
HmeSh s	6297	6⅝	5¾	5⅞	—⅜
FruitL n	6143	5	4⅜	4⅞	+½
WDigit	6127	14¼	12½	13⅜	—¼
Alza	6010	26	23¾	24¾	—½
FAusPr	5931	8⅛	7¾	7⅞	—⅛
Hasbr s	5235	12½	11⅛	11¼	—⅜
DataPd	5191	8¾	7⅛	8⅛	—⅜
HrnHar	5185	11	9⅞	10⅛	+⅜
PallCp s	4512	25½	22¾	23¼	—1¾
ImpOil g	4393	42⅞	37	38¾	—4
Gull	4294	18¾	17½	18½	+⅜
TubMex	4196	3¼	2⅝	2½	—⅜
Viacm pf	4195	23½	23	23½	+⅜
CamCr n	4119	9¼	8⅝	8⅝	—⅜

NYSE Sales

	Sales Vol.
Total for week	817,170,000
Week ago	874,050,000
Year ago	860,570,000
Two years ago	623,670,000
Jan 1 to date	43,035,964,010
1986 to date	31,868,740,000
1985 to date	24,325,200,000

AMEX Sales

	Sales Vol.
Total for week	55,580,000
Week ago	55,320,000
Year ago	56,020,000
Jan 1 to date	3,099,710,000
1986 to date	2,154,670,000

NYSE Diaries

	This Wk	Last Wk
Advanced	701	820
Declined	1268	1135
Unchanged	211	220
Total Issues	2180	2175
New Highs	7	7
New Lows	177	147

AMEX Diaries

	This Wk	Last Wk
Advanced	289	360
Declined	610	520
Unchanged	132	150
Total Issues	1031	1030
New Highs	2	3
New Lows	98	99

U.S. Consumer Rates

Nov. 20

Tax Exempt Bonds	
Bond Buyer 20-Bond Index	7.91 %
Money Market Funds	
Donoghue's 7-Day Average	6.61 %
Bank Money Market Accounts	
Bank Rate Monitor Index	5.82 %
Home Mortgage, FHLB average	9.67 %

Source : New York Times.

To Paris Banks' Chagrin, Top Firms Shift With Ease Into Multi-Options

By Carl Gewirtz
International Herald Tribune

PARIS — French companies' revamping of bank credit lines into underwritten multi-option facilities is proceeding at a rapid pace, despite the frequent hostility of the leading French banks.

What the companies have discovered is that the foreign banks operating in France are very hungry for assets as well as the opportunity to establish relations with companies they have not worked with before.

INTERNATIONAL CREDIT

As a result, top companies are able to elicit terms that their traditional bankers find unacceptably low. This was the case some weeks ago, when Laffarge Coppée arranged a facility that the three leading banks boycotted. A similar situation developed last week when SNECMA came to the market.

SNECMA, a state-owned aerospace company, manufactures engines for Airbus Industrie and Boeing Co. as well as the European space program.

It is revising its credit lines into a $300 million, five-year underwritten facility that may be extended for an additional two years.

Like Laffarge, SNECMA is offering to pay an annual facility fee of 4 basis points, a level that Banque Nationale de Paris, Crédit Lyonnais and Société Générale deem too low.

Despite such opposition, Laffarge had no trouble completing its operation. And the banks arranging the SNECMA facility — Bankers Trust, Banque Indosuez and Barclays Bank — are equally confident of success.

SNECMA will pay a margin of 10 basis points over the Paris interbank rate, or Pibor, to borrow francs. It will pay the London interbank offered rate, or Libor, flat on drawings in foreign currencies. The top front-end fee is 6 basis points on an underwriting of $30 million.

But the utilization fees it will pay are slightly less than those set by Laffarge. SNECMA will pay 2 basis points if it draws up to half the amount from the banks (Laffarge paid 3 basis points) and 6 basis points if it draws more.

Before drawing directly from the banks, companies can ask underwriters to tender for short-term notes.

At the same time, Havas, the recently privatized advertising and communications company, is in the market for a multi-option facility of 1.5 billion francs, also for five years and extendable to seven years.

Organized by Société Générale, Crédit Lyonnais and Crédit Agricole, the annual facility fee is 5 basis points and the drawing charge is ⅛-point, or 12½ basis points, over Pibor or Libor. It will pay a utilization fee of 5 basis points if more than half the amount is drawn from banks and front-end fees ranging up to 6 basis points on an underwriting of 150 million francs.

Also in the market is Econocom International NV, a Dutch company leasing and distributing computer equipment that has operations in France. The annual fee on its $75 million multi-option facility is set at 15 basis points.

Companies have discovered that foreign banks operating in France are eager to forge ties with companies they have not worked with before.

Drawing charges are ¼ point over the interbank rate. Utilization fees range from 2 basis points, for drawing less than 25 percent, to 5 basis points to 8 basis points, for drawing more than 50 percent.

Participation fees range up to 10 basis points.

As all these provide for drawings in francs, participation is open only to banks operating in France.

In the international sector, Grand Metropolitan, the British food, drink and hotel company, is seeking a $500 million, five-year facility. It will pay an annual facility fee of 6¼ basis points on amounts considered available and 3½ on the reserve portion.

The drawing charge is set at 10 basis points over Libor, and a utilization fee of 2½ basis points applies if more than half the line is drawn.

Bankers said they liked the borrower but found the terms too tight for comfort, particularly the low annual fee on the reserve portion.

Daiwa Europe is seeking a five-year, $100 million facility to back the issuance of certificates of deposit in London. It will pay an annual facility fee of 5 basis points and a margin to draw on the credit of 5 basis points over Libor. Top front-end fees are 6¼ basis points for an underwriting commitment of $12.5 million.

Consolidated Bathurst is also arranging a multi-option facility, but to avoid Canadian withholding tax has structured it like a seven-year floating rate note. Only debt exceeding five years is free of Canadian tax.

The company will put out for tender short-term notes of up to six months that underwriters stand ready to redeem. The underwriters will be paid an annual guaranty fee of 10 basis points and a front-end fee of 7½ basis points.

The company will pay a maximum of 15 basis points over Libor if the underwriters take the paper. Otherwise a tender panel will bid prices for the purchase of paper carrying interest at Limean.

The syndicated loan market saw the return last week of private Spanish utilities, whose access had been held up pending renegotiation of the debt owed by FECSA.

Hidro-Eléctrica España, which supplies the area around Madrid, is seeking a $200 million, six-year loan. Interest will be set at ½-point over Libor, a level regarded as quite fair. Before the FECSA crisis early this year, Spanish utilities were paying a split 15-20 basis points over Libor for eight-year money.

A rare West German name is tapping the sterling market through a revolving acceptance facility. AEG, the electronics company, has asked S.G. Warburg to arrange an uncommitted facility in which banks will bid for up to £30 million bills of exchange.

In Asia, Indonesia is seeking an eight-year transferable loan of $300 million. This was something of a surprise, since bankers report the country has "several billions of dollars" of undrawn credits and more than $6 billion in reserves.

The cost is unchanged from what the country paid last year, a margin of ⅝ point over Libor for the first six years and ¾ point over Libor for the final two years.

Kuwait Public Debt Issue Set

Agence France-Presse

KUWAIT — Kuwait's central bank will issue 200 million dinars (about $720 million) of treasury and bearer bonds beginning Wednesday, a move aimed at easing its budget deficit.

The debt issue is the first among Gulf oil producers. The issue was announced in September and the central bank gave details Saturday.

The central bank, on behalf of the Ministry of Economy, is to issue treasury bonds with a total value of 120 million dinars, and bearer bonds totaling 80 million dinars.

The governor of the central bank, Sheikh Salem al-Sabah, said in Washington in October that the bonds would not be available to foreign investors.

The treasury bonds, available in units of 50,000, 250,000 and 500,000 dinars, will bear interest of between 6 percent and 7 percent, the bank said. Bearer bonds will be available in five categories between 1,000 and 500,000 dinars.

The government has projected a budget deficit of 1.3 billion dinars for 1987-88.

Kuwait, like other Gulf oil producers, has in recent years been tapping its huge foreign reserves to finance its deficits.

On Sept. 21, the government said a ceiling of 1.4 billion dinars had been set for the treasury bonds.

Economic analysts here said the decision to issue bonds was aimed at promoting Kuwaiti private investments inside the country to boost the economy.

The economy has been hard hit by a decrease in oil revenues following the slump in crude oil prices.

Kuwait is expected to take in about 1.72 billion dinars in oil revenues for 1987-1988, or 87.2 percent of total revenues.

China Accepts Banks' Paper

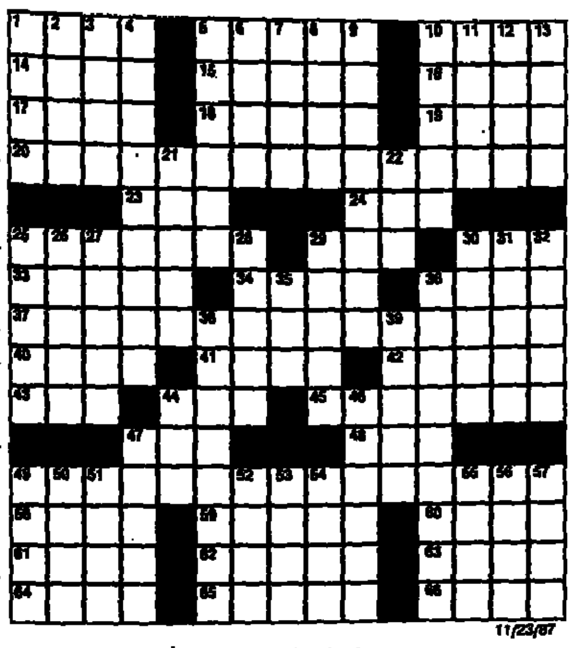
Reuters

BEIJING — A branch of the People's Bank of China, the central bank, accepted commercial paper from four bank branches in the first such transaction since 1949, the People's Daily said Saturday.

It said the central bank's Shanghai branch lent 30 million yuan ($8.1 million) to three branches of the Industrial and Commercial Bank and one branch of the Agriculture Bank whose clients urgently needed the funds for raw materials and foodstuffs business.

In exchange, the branches presented paper to be redeemed after one month at a monthly interest rate of 0.6 percent. The newspaper said 10 bank branches had applied for the facility.

SPORTS



11/23/87

ACROSS

1 Weaving machine
5 Famed fabulist
10 Honey bunch
14 Prefix for potent
15 Serf
16 Home of the Jazz
17 So-so school grades
18 Seized
19 Hindu teacher
20 Musician
23 Permit
24 Fruit-flavored drink
25 Island east of Borneo
29 Self
30 High mountain
33 Choice
34 Foot: Comb. form
36 Wild plum
37 Musician in the reed section
40 Withered
41 Part of Q.E.D.
42 Indian princess
43 Compass point
44 Political officeholders
45 Climbers
47 Unit of work
48 Consumed
49 Musician in the brass section
58 Chinese dynasty
59 Of an hour
60 Novelist Ferber
61 —— homo (behold the man)
62 Raise one's spirits
63 Line of juncture
64 Decay through use
65 Cozy places
66 Wise

DOWN

1 Places
2 Portent
3 Units
4 Christmas decoration
5 Cunning
6 Its capital was Susa
7 Japanese beverage
8 Baking chamber
9 Five-sided building in Va.
10 A signal horn
11 Small needle case
12 Fall on deaf ——
13 Closed
21 Violin's precursor
22 Fuss
25 Halt
26 Actress Burstyn
27 Metric liquid measure
28 Boxes
29 Blue-pencils
30 Adjust
31 Defeated contestant
32 "For —— sake!"
35 Period in history
36 Vapidity
38 Extend, as a hemline
39 Muse of poetry
44 Anger
46 Wire ropes
47 Lawn trimmer
49 Fret
50 Nottingham product
51 Peruvian Indian
52 Romeo or Juliet
53 Old Danish money
54 Actor Dillon
55 Notion
56 Unexpected obstacle
57 Docile

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SPORTS BRIEFS

Dutch-Cypriot Soccer Match to Be Replayed

ZURICH (AP) — The European championship qualifying match between the Netherlands and Cyprus, which was interrupted Oct. 16 by a smoke-bomb incident, will be replayed behind closed doors.

A jury of the Union of European Football Associations, reacting to a Dutch appeal, on Saturday commuted an earlier decision that overturned the 8-0 Dutch victory and declared Cyprus a winner by forfeit. UEFA said that the Dutch federation had observed precautionary measures and that the smoke-bomb thrown at the Cypriot goalie "was an isolated incident."

But UEFA said that sanctions still had to be imposed because the Dutch organizers were responsible for order and security during the match at Rotterdam's Feyenoord stadium. The federation ordered the game replayed at any stadium except Feyenoord and "behind closed doors." The original fine was increased to 70,000 Swiss francs ($49,300) from 10,000 francs.

Chavez Takes Rosario's Lightweight Crown

LAS VEGAS (AP) — Mexico's Julio Cesar Chavez battered champion Edwin Rosario Saturday night before stopping him in the 11th round to win the World Boxing Association lightweight title. The Puerto Rican was bleeding heavily when his corner threw in the towel and the referee stopped the fight.

Chavez, 55-0 and the World Boxing Council's super featherweight champion, went all-out in the 10th round, giving Rosario a beating that closed his left eye. Chavez scored his 46th knockout in winning the lightweight title in his first attempt.

In Paris, meanwhile, American Virgil Hill retained his WBA light heavyweight title Saturday with a unanimous 12-round decision over France's Rufino Angulo. Hill, 20-0, dominated the fight and scored the only knockdown in the first round. Angulo, the French light heavyweight champion and ranked No. 9 by the WBA, fell to 29-9-2.

Solution to Friday's Puzzle

ABBE ERAL BARA
RAIN LEMON ULAN
ARTS BOOBYPRIZE
BETIDE BEAMIER
ELA TSETSE
WRENCHERS STOA
HAN COOL FEELS
ODE EMULATE RDS
WISPS ORAE NEE
ESSE SQUABBLER
SCOUTS LOP
TACTILE SEALED
RAILLERIES FALA
ORNE SKOOT ETON
DEES SONS RENE

11/21/87

Quotable

• Ball State's basketball coach, Rick Majerus, on the prospects for 1987-88: "We're looking at probably starting a walk-on, and it isn't one of these walk-ons that you run up to and give a scholarship. This is a walk-on who, in the true spirit of walk-ons, is bad." *(AP)*

• Notre Dame's football coach, Lou Holtz: "Somebody said, 'How can you call the plays from the sideline, because you can't see anything?' I said, 'That's the only place I ever watched a game from when I was playing.'" *(LAT)*

• Boston Celtics basketball player Robert Parish on a dunk by teammate Larry Bird: "He was really off the floor. They could have put two sheets of paper under his feet." *(LAT)*

VANTAGE POINT/Dave Anderson

Plenty of Room for Improvement in Class

New York Times Service

NEW YORK — For anyone interested in the New York Mets and college football, all gall was divided lately into three parts:

Pitcher Dwight Gooden threatened to test free agency when he's eligible in 1990 if the Mets don't offer him at least a three-year contract for at least $5 million.

The president of Ohio State University dismissed Earle Bruce as the football coach, effective after Saturday's 23-20 victory over Michigan, in a surrender to "pressure" from vigilantes.

And a new Columbia 11 appeared, the number of football players admitted to that Ivy League college's last two freshman classes who did not meet minimum conference academic requirements.

Perhaps affected by the trauma of his last days as a bachelor before his wedding Saturday night, Gooden warned that his contract negotiations would "tell me a lot about how the Mets feel about me." But those words told everybody else that he's already forgotten how the Mets felt about him during and after his cocaine rehab early last season.

When the Mets were finally dethroned in the National League East by the St. Louis Cardinals, it would have been easy for anyone in the organization to have pointed a finger at Gooden for having missed a dozen starts. But publicly, at least, not a discouraging word was heard — not from anyone. With his drug habit, Gooden had betrayed not only himself but also the team's hope of repeating as World Series champions.

But the other Mets had the class to treat his absence as if he had been out with a tender elbow. More class than he's showing now.

Gooden's teammates never asked him to say he's sorry. And the front office never begrudged paying his full $1.5 million salary. Money can't buy that affection. Not that Gooden seems to understand. In looking to a new contract after a 15-7 season, the 23-year-old right-hander spoke of how he doesn't plan to fight for a raise, that he might not even go to arbitration.

"But I'll remember it," he said.

He'd be better off remembering all of 1987.

Meanwhile, in Columbus, Ohio, where Woody Hayes was sacked for having punched a Clemson player at the 1978 Gator Bowl, Earle Bruce was sacked after a sneak punch from Dr. Edward Jennings despite eight consecutive bowl-game seasons. Jennings, the university president since 1981, justified his decision by calling it a "personnel issue," but Rick Bay, who resigned as athletic director in protest, quoted Jennings as

Gooden's teammates never asked him to say he's sorry. And the front office never begrudged paying his full $1.5 million salary. Money can't buy that affection. In looking to a new contract after a 15-7 season, the 23-year-old right-hander spoke of how he doesn't plan to fight for a raise, that he might not even go to arbitration. 'But I'll remember it,' he said. He'd be better off remembering all of 1987.

having acknowledged "a lot of pressure," presumably from influential Ohio State followers.

In his official statement, Jennings described Bruce as a "loyal Buckeye throughout his career." But when Ohio State lost consecutive Big Ten games by a total of only 10 points, other loyalists howled loud and long. They obviously had more influence with Jennings than Bay did.

Some loyal Buckeyes thought Bruce was too fat and too frumpy; one longtime Ohio State observer described him as having the "personality of a prune." Surely a respected biology professor with a comparable record would not have been dismissed at Ohio State for being overweight, for wearing a sweat suit in the laboratory and for having three pre-med students transfer to Michigan State, Wisconsin and Iowa. But biology professors are not on television. Biology professors don't lose three straight games.

In other years while coaching other football teams, Lou Holtz yearned to return someday to Ohio State, where he once was one of Woody Hayes's assistants. Presumably he's content at Notre Dame now. But when Bruce was dismissed, Holtz remembered words of wisdom from Pappy Lewis, once the West Virginia coach.

"Pappy used to say that there were two types of football coaches," Holtz said. "Those who have been fired and those who are going to get fired. I used to laugh about that. But there's a lot of truth in it. It's not done fairly in many instances."

Columbia's indiscretion wasn't done fairly either. Certainly not fairly to the 11 applicants who were not admitted despite having better academic qualifications. Al Paul, the Columbia athletic director, defends the 11 football players as having been "highly qualified academically" and progressing now toward a degree in Columbia's demanding curriculum. And to some degree, Columbia isn't to blame as much as Ivy League deans are.

When a committee of Ivy League deans permitted Columbia to accept a few football players who did not meet the standard academic requirements, as a similar deans committee had done for Penn several years ago, Columbia invoked the ruling. In its desire to end the football team's losing streak that is now at 41 games after Saturday's 19-16 loss to Brown in the season finale, Columbia didn't break any league rules. It only followed them.

But when Paul was asked why Columbia doesn't consider dropping Ivy League football to compete in a lower division, the athletic director replied, "It's not the thing to do."

Nor was accepting the 11 football players.

DENNIS THE MENACE

"MOM, CAN WE HAVE CHRISTMAS NEXT WEEK? ALL MY TOYS ARE BUSTED."

WORLD STOCKS IN REVIEW / *Via Agence France-Presse*

Amsterdam

The Amsterdam Stock Exchange was calmer last week, with the ANP-CBS general index falling just 7.5 points to 212.7.

The rally at the end of the previous week continued initially, but ran out of steam amid a lack of midweek developments in reducing the U.S. budget deficit.

Volume was 6.754 billion guilders, down from 7.097 billion guilders the previous week.

Frankfurt

West German stock prices lost 3.9 percent of their value in quiet trading last week, with the Commerzbank index finishing at 1,325.7, down 53.3 points from the previous Friday.

Analysts said the dollar's continued decline and an announcement by Siemens of a cut in its dividend from 12 to 11 DM were the main negative factors. Volume for the four-day week was only 8.56 billion DM, against 14.57 billion the previous week. Wednesday was a holiday.

Hong Kong

The Hong Kong stock market got off to a healthy start on Monday of last week, but those gains were slowly whittled away. The Hang Seng index closed Friday at 2,214.70, posting a loss of 12.04 points for the week.

Average daily volume was 1.15 billion Hong Kong dollars, up slightly from 1.12 billion.

London

After a slight rise when trading opened a week ago, the London Stock Exchange posted losses for the week. The Financial Times-Stock Exchange 100-share index was off 44.9 points at 1,633.4.

Hopes of a cut in the U.S. budget deficit gradually gave way to a feeling that agreement before Friday was unlikely. But news late Friday that a budget pact was near helped share prices make up much of their losses.

Trading volume was lower than usual as many investors stayed on the sidelines awaiting news from the United States.

Milan

The Milan stock exchange index closed the week at 691 points, for an overall gain of only 0.29 percent, amid pessimism about the dollar's weakness and uncertainty about other stock markets.

Total trading value fell back to 588 million dollars from 756 million the previous week as institutional investors stayed on the sidelines.

Paris

Paris stocks moved slightly lower, with the CAC share index finishing the week at 285.5, against 292.0 the previous Friday.

As on other exchanges, trading was dominated by contradictory expectations about the outcome of Washington talks on cutting the U.S. budget deficit. Prices also were hurt by the release Wednesday of figures showing a widening in the French trade deficit for October.

Singapore

Singapore's Straits Times industrial index closed Friday at 824.37, up marginally from the previous week's close of 822.24, after five days of quiet, dull trading.

Volume shrank for the third straight week, to 107 million units valued at 212.7 million dollars.

Tokyo

The Tokyo Stock Exchange's 225-issue Nikkei stock average closed Friday at 22,705.56, up 257.31 yen for the week, despite uncertainty about the dollar's decline and the U.S. budget deficit talks.

"The market is calming down but is only showing reactionary gains," said Osamu Nagasaki, a director of Okasan Securities Co. "The main reason is foreign exchange unrest."

The market got off to a good start Monday as individual investors centered on synthetic rubbers or a segment of biotechnology issues.

But on Thursday, stocks slipped as the yen appreciated against the dollar.

Zurich

Zurich stock prices fell 3 percent in value last week as the Credit Suisse index closed Friday at 438.6 Friday, down from 451.7 the previous Friday. The Swiss Bank Corp. index fell to 489.6 from 505.6 a week earlier.

Analysts said the dollar's weakness was responsible for the dip in stock prices, and that investors remained mistrustful. Volume was low.

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Algarve	19	66	10	50	fr
Amsterdam	8	46	8	46	r
Athens	14	57	12	54	r
Barcelona	12	54	6	43	cl
Belgrade	5	41	4	39	r
Berlin	6	43	4	39	r
Brussels	7	45	7	45	r
Budapest	5	41	2	36	o
Copenhagen	7	45	5	41	r
Costa Del Sol	19	66	15	59	cl
Dublin	8	46	7	45	sh
Edinburgh	6	43	4	39	cl
Florence	11	52	0	32	fr
Frankfurt	5	41	5	41	r
Geneva	5	41	4	39	r
Helsinki	0	32	-1	30	sw
Las Palmas	23	73	17	63	fr
Lisbon	16	61	10	50	fr
London	8	46	7	45	sh
Madrid	7	45	0	32	cl
Milan	11	52	3	38	fr
Moscow	-13	9	-19	-2	sw
Munich	5	41	1	34	r
Nice	14	57	7	45	cl
Oslo	2	36	0	32	sw
Paris	9	48	7	45	o
Prague	4	39	0	32	o
Reykjavik	-1	30	-2	28	fr
Rome	15	59	7	45	fr
Stockholm	3	38	1	34	o
Strasbourg	6	43	5	41	r
Venice	10	50	1	34	fr
Vienna	8	46	5	41	cl
Warsaw	1	34	0	32	o
Zurich	6	43	4	39	o
MIDDLE EAST					
Ankara	10	50	0	32	r
Beirut	—	—	—	—	na
Cairo	23	73	12	54	fr
Damascus	—	—	—	—	na
Istanbul	16	61	12	54	r
Jerusalem	18	64	7	45	fr
Tel Aviv	24	75	11	52	fr
OCEANIA					
Auckland	—	—	—	—	na
Sydney	22	72	15	59	fr

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	34	93	25	77	cl
Beijing	6	43	3	38	o
Hong Kong	24	75	21	70	r
Manila	30	86	24	75	r
New Delhi	28	82	7	45	fr
Seoul	16	61	3	38	fr
Shanghai	19	66	13	56	r
Singapore	30	86	25	77	sh
Taipei	27	81	21	70	o
Tokyo	17	63	8	46	fr
AFRICA					
Algiers	18	64	8	46	cl
Cape Town	21	70	12	54	fr
Casablanca	19	66	9	48	cl
Harare	28	82	17	63	cl
Lagos	33	91	25	77	cl
Nairobi	28	82	15	59	cl
Tunis	16	61	9	48	cl
LATIN AMERICA					
Buenos Aires	23	73	11	52	fr
Caracas	—	—	—	—	na
Lima	24	75	15	59	o
Mexico City	25	77	11	52	pc
Rio de Janeiro	—	—	—	—	na
NORTH AMERICA					
Anchorage	-3	26	-9	16	sw
Atlanta	13	55	1	34	fr
Boston	2	36	-1	30	pc
Chicago	10	50	6	43	pc
Denver	10	50	-1	30	pc
Detroit	10	50	2	36	pc
Honolulu	30	86	23	73	pc
Houston	21	70	16	61	pc
Los Angeles	21	70	11	52	pc
Miami	25	77	17	63	pc
Minneapolis	8	46	1	34	pc
Montreal	0	32	-8	18	pc
Nassau	24	75	18	64	pc
New York	3	38	-1	30	pc
San Francisco	15	59	7	45	cl
Seattle	12	54	3	38	sh
Toronto	4	39	-1	30	fr
Washington	7	45	0	32	fr

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sw-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Slight. FRANKFURT: Showers. Temp. 5—4 (41—39). LONDON: Showers. Temp. 7—5 (45—41). MADRID: Cloudy. Temp. 6—-1 (43—30). NEW YORK: Partly cloudy. Temp. 10—5 (50—41). PARIS: Showers. Temp. 8—5 (46—41). ROME: Cloudy. Temp. 15—9 (59—48). TEL AVIV: Not Available. ZURICH: Showers. Temp. 5—3 (41—38). BANGKOK: Fair. Temp. 33—25 (91—77). HONG KONG: Cloudy. Temp. 25—22 (77—72). MANILA: Thunderstorms. Temp. 31—23 (88—73). SEOUL: Rain. Temp. 16—3 (61—38). SINGAPORE: Thunderstorms. Temp. 31—25 (88—77). TOKYO: Fair. Temp. 17—7 (63—45).

Texas Air Suspends Brazil Deal

Compiled by Our Staff From Dispatches

RIO DE JANEIRO — The American carrier Texas Air has suspended a $300 million order for aircraft from Brazilian Aerospace Corp. pending a study of the economic sanctions proposed by the U.S. government against Brazil, the manufacturer has said.

Texas Air's order included 20 Brasilia twin-engine planes and options for 30 more. Delivery of some of the planes was to begin over the next several days.

The American carrier, which already operates 20 Brasilias, is seeking to determine what surcharge Washington intends to impose on the planes, said Brazilian Aerospace, which is known as Embraer, on Saturday.

President Ronald Reagan said Nov. 13 that he was banning imports of some Brazilian computer products and imposing about $105 million in punitive tariffs on other imports from Brazil because it refused to allow U.S. software companies to compete there.

A list published Thursday by the U.S. government said that possible targets included Brazilian cars, aircraft, shoes, wooden furniture and earthenware.

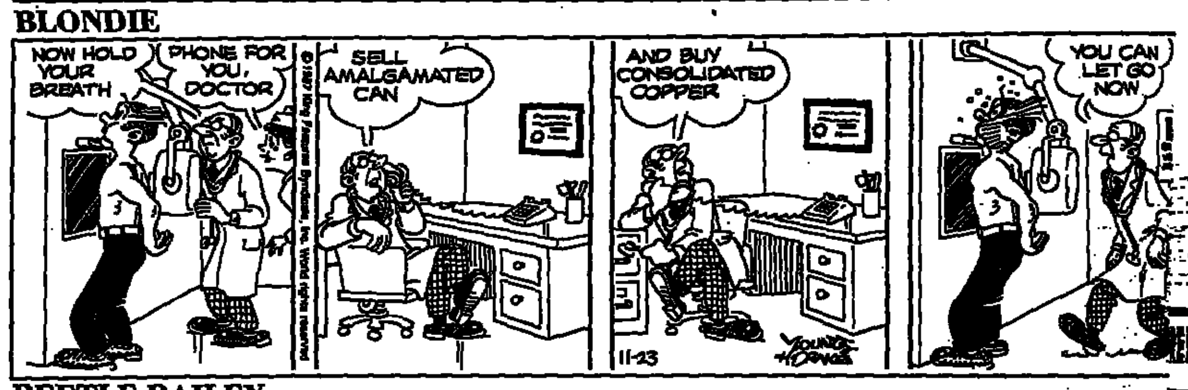
On Friday, the Brazilian government called the U.S. sanctions "irrational." A Foreign Ministry statement threatened to lodge a formal complaint with the General Agreement on Tariffs and Trade and seek ways to retaliate against the United States.

But in an interview published Sunday, the finance minister, Luiz Carlos Bresser Pereira, took a more conciliatory line. He said, "Brazil needs to be more flexible in the implementation" of its computer policies.

The Foreign Ministry said that damage to the Brazilian economy as a result of the U.S. sanctions could amount to as much as $700 million. *(AFP, Reuters)*

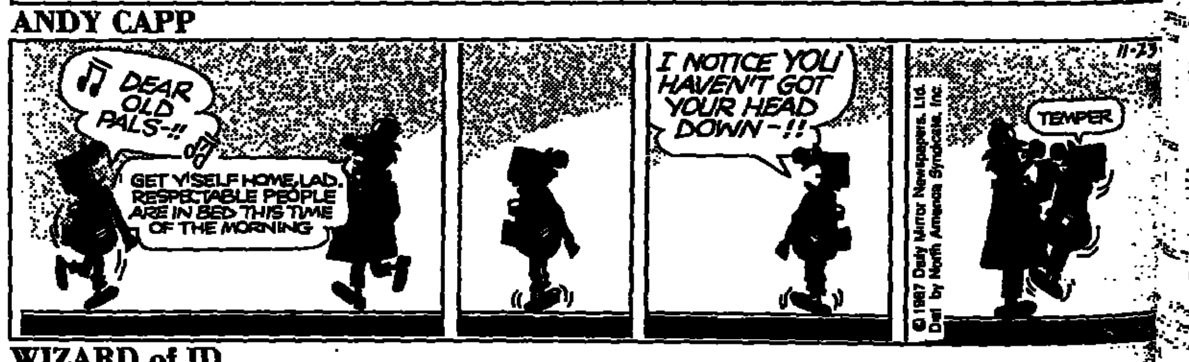
PEANUTS

BLONDIE



BEETLE BAILEY

ANDY CAPP



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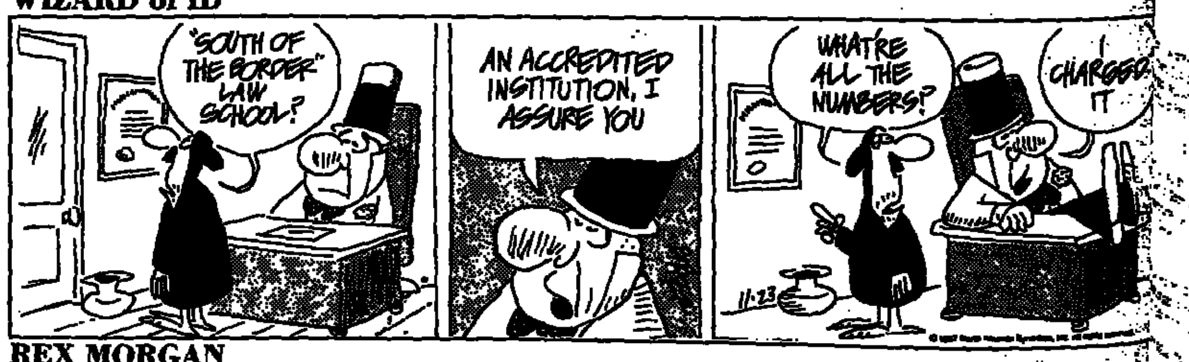

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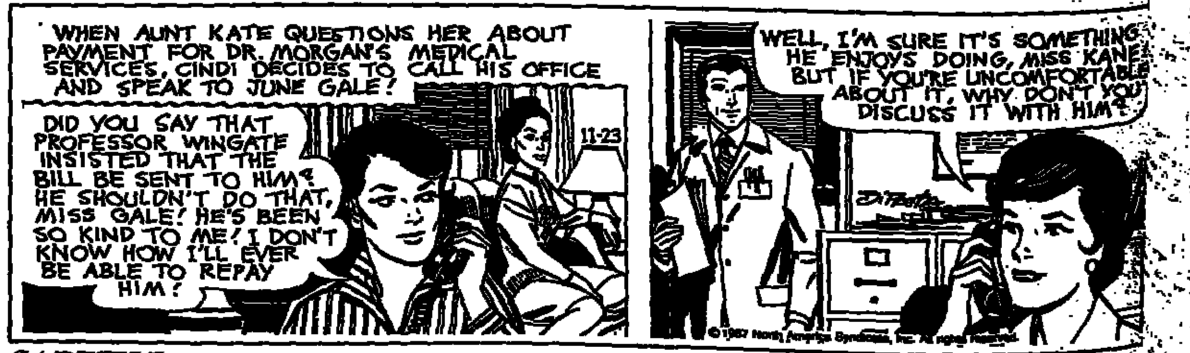
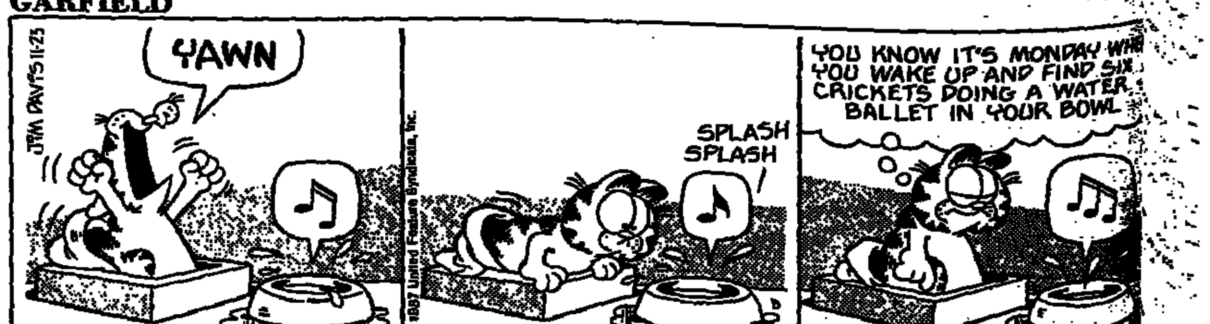


GARFIELD



SPORTS

Lennox McLendon/The Associated Press

Ferdinand, right, under Bill Shoemaker, holding off Ferdinand Saturday at Hollywood Park.

Oklahoma Topples Nebraska

United Press International

LINCOLN, Nebraska — Oklahoma's 17-7 victory over No. 1 Nebraska Saturday put the Sooners into an Orange Bowl showdown with Miami and will return them to the top of the U.S. college rankings.

Oklahoma had dropped into second place behind Nebraska five days before the crucial Big Eight test, but Patrick Collins's 65-yard scoring run in the third period snapped a 7-7 tie and extended the Sooner winning streak to 20 games.

Cornhusker running back Keith Jones scored on a 25-yard run in the first quarter, but Oklahoma tied it in the third period on Anthony Stafford's 11-yard run. Collins's sprint then made it 14-7, and R. D. Lasher added a 27-yard field goal.

Nebraska fell to 9-1 before next week's finale against Colorado.

U.S. COLLEGE FOOTBALL

Miami 24, Toledo 14: In Miami, Melvin Bratton scored on a 1-yard run and linebacker Maurice Crum ran 15 yards with a fumble for a touchdown to lead the lethargic Hurricanes. Miami was such a prohibitive favorite going into the game against the 3-7-1 Rockets that no betting line had been issued.

Southern Cal 17, UCLA 13: In Los Angeles, Rodney Peete threw two scoring passes to rally USC from a 13-point deficit. Erik Affholter bobbled Peete's 33-yard pass in the fourth period, but gained control before he tumbled out of the end zone to give 8-3 USC its winning margin.

Penn State 21, Notre Dame 20: In University Park, Pennsylvania, Blair Thomas rushed for 214 yards and Penn State prevented a two-point conversion with 31 seconds to play. Anthony Johnson dove over for a touchdown that pulled Notre Dame to within 21-20. Quarterback Tony Rice then rolled out, seeking the two points, but senior defensive tackle Pete Curkendall dropped him. Penn State is 8-3 on the year; Notre Dame 8-2.

Syracuse 32, West Virginia 31: In Syracuse, New York, Don McPherson passed 9 yards to Pat Kelly for a touchdown with 10 seconds left and Michael Owens ran for the two-point conversion as 11-0 Syracuse completed its first undefeated season since it won the 1959 national championship.

South Carolina 20, Clemson 7: In Columbia, South Carolina, Brad Edwards intercepted two passes in the final six minutes, returning one 40 yards for a touchdown, to power the 8-2 Gamecocks, who have won six straight.

Louisiana State 41, Tulane 36: In New Orleans, Eddie Fuller scored on a 20-yard run with 46 seconds left and Wendell Davis and Harvey Williams each scored two touchdowns to lead LSU. Fuller scored the game-winning touchdown after Tulane had taken its first lead in the game at 36-35.

Michigan State 30, Wisconsin 9: In Madison, Wisconsin, Lorenzo White ran for two first-half TDs and John Langeloh kicked three field goals to lift Michigan State. White, who scored on runs of 23 and 1 yards, finished with 92 yards on 19 carries. He carried only twice in the second half for 6 yards, giving him 1,459 for the season.

Oklahoma State 48, Iowa State 27: In Stillwater, Oklahoma, Thurman Thomas rushed for a school-record 293 yards and scored four touchdowns to spark Oklahoma State. Thomas, the Cowboys' all-time rushing leader, carried 30 times and scored on runs of 55, 9, 1 and 66 yards. His performance broke the single-game mark of 270 yards held by Ernest Anderson.

Texas A&M 42, Texas Christian 24: In Fort Worth, Texas, Darren Lewis rushed for 194 yards and two touchdowns to rally Texas A&M. The Aggies are 8-2 overall and 5-1 in Southwest Conference play.

Tennessee 24, Kentucky 22: In Lexington, Kentucky, Terence Cleveland caught his second scoring pass of the game with 6:25 remaining, and Tennessee stopped a Kentucky drive at the Volunteer 1-yard line to preserve the victory.

Pittsburgh 28, Kent State 5: In Pittsburgh, Craig Heyward rushed for 259 yards and three touchdowns to lead the Panthers. Heyward, the top college rusher, became the seventh running back in NCAA history to rush for at least 100 yards in every game of an 11-game season.

Iowa 34, Minnesota 20: In Iowa City, Iowa, Chuck Hartlieb passed for 328 yards and two touchdowns to lead pace Iowa.

Ohio State 23, Michigan 20: In Ann Arbor, Michigan, Matt Frantz atoned for his first extra-point miss in two seasons by kicking a 26-yard field goal with 5:18 to play, giving Coach Earle Bruce, who was fired last week, a victory in his final game at Ohio State. The Buckeyes snapped a three-game Big Ten losing streak and finish 6-4-1 overall.

Harvard 14, Yale 10: In New Haven, Connecticut, Tony Hinz ran for 161 yards and scored both touchdowns to help Harvard win the Ivy League title. Hinz scored on a 57-yard second-quarter run and on a 19-yard pass from Tom Yohe in the third period. Harvard finished 6-1 in the league, while Yale was 5-2.

Ted Kirk/Reuters-United Press International

Oklahoma's Patrick Collins, sprinting past Mark Blazek of Nebraska on a 65-yard touchdown jaunt in the third quarter.

Ferdinand Edges Alysheba in Cup Classic

By Andrew Beyer
Washington Post Service

INGLEWOOD, California — It was the essence of Hollywood: a star-studded cast, great drama and a cliffhanger finish.

In Saturday's long-awaited meeting of the last two Kentucky Derby winners, Ferdinand outfought Alysheba in a thrilling stretch run and won the world's richest race, the $3 million Breeders' Cup Classic, by a desperate nose.

Alysheba would have needed only one or two more strides to score a victory that would have clinched the horse of the year title. But he was foiled by 56-year-old jockey Bill Shoemaker, who gave the winner a virtually flawless ride, and by legendary trainer Charles Whittingham, who spent months aiming Ferdinand specifically for this race.

It took a sensational finish to make the Classic the high point of a dramatic day of racing at Hollywood Park.

Half an hour earlier, America's best grass runner, Theatrical, had hooked up in a head-and-head stretch battle with France's best, Trempolino, and prevailed by a half-length in the $2 million Turf.

The fourth Breeders' Cup series had begun with a shocking upset, as the filly Very Subtle ran away from Groovy, zipping the Sprint's six furlongs (1,206 meters) in 1:08-4/5, and ended the New York speedster's horse-of-the-year chances.

Success Express won the Juvenile impressively, stamping himself as a prime contender for next year's Kentucky Derby.

Epitome pulled a 30-to-1 upset in the Juvenile Fillies.

The French filly Miesque routed her foes in the Mile with one of the day's most brilliant performances.

Sacahuista led all the way to win the Distaff.

The individual stars included trainer Wayne Lukas and jockey Pat Day, who each won two races.

But the memory of all the drama and the achievements in the fourth Breeders' Cup will be overshadowed by the Classic. It is rare when a race which looks so interesting on paper fulfills all of its potential. This one did.

Both of the favorites are habitual stretch-runners, so while longshots were vying for the early lead, Shoemaker and his rival, Chris McCarron, were simply angling to get a good tactical position. Shoemaker made the best possible move, dropping to the rail and saving ground early. He moved effortlessly to get within striking distance in the middle of the backstretch.

Judge Angelucci and Candi's Gold were setting the pace (a half-mile in :46-2/5, six furlongs in 1:10-1/5), when Shoemaker took Ferdinand off the rail and sent him up to challenge the leaders on the outside. Behind him, Alysheba was starting to accelerate strongly, but he would be forced to go widest of all on the turn.

The speed horses were still in front an eighth of a mile from the wire, but it became clear that this race was going to come down to the 3-year-old Alysheba vs. the 4-year-old Ferdinand, between two hall-of-fame trainers and two of the best riders of all time.

With every stride it appeared that Alysheba was going to overhaul the leader — especially since McCarron was urging his mount as hard as he could while Shoemaker wasn't using the whip. Said Shoemaker later: "He's not a whip horse."

McCarron thought he was going to win the battle, but he said, "Ferdinand just kept digging in as my horse was getting to him. He was very game at the finish."

The two hit the finish line together, having covered the mile and a quarter in a moderate 2:01-2/5, and because the wire is near the far end of the Hollywood stretch, few in the crowd of 57,734 could tell who won. Neither could the jockeys.

Both horses waited at the winner's circle while the photo was being developed (the jockeys agreed to "save" $10,000 — the winner giving the loser that much of his fee). When the number of the even-money favorite went up, McCarron slapped his mount's shoulder in frustration.

But it was an honorable defeat. Alysheba has had a long, tough campaign, which included all the 3-year-old classics, and he held his sharp form until the end of the season.

"If they took a poll of all the people in the U.S. he'd be a champion," said trainer Jack Van Berg, reflecting his concern that the Eclipse Award voters may hold this nose margin against him.

Ferdinand's victory was a credit to the patience and planning of Whittingham, who skipped all the other big-money races this fall to point for the Classic.

Ferdinand had been widely criticized as a mediocre Kentucky Derby winner last year, but Saturday's performance was the definitive evidence of the way he has blossomed.

"He's the best horse in America in training right now," Shoemaker said.

"When he ran in the Triple Crown last year he was still immature. Now he's like a man."

49ers Roll Over Buccaneers, 24-10

United Press International

TAMPA, Florida — Jerry Rice caught three touchdown passes from Joe Montana Sunday as the San Francisco 49ers swarmed over Tampa Bay quarterback Steve DeBerg to take a 24-10 National Football League victory from the slumping Buccaneers.

The 49ers deflected six passes at the line of scrimmage in improving to 8-2. Tampa Bay, 4-6, was unable to contain Rice. Rice caught scoring passes of 21 and 42 yards in the first half and then sealed victory by grabbing a 3-yard touchdown reception in the fourth quarter. San Francisco's Ray Wersching added a 43-yard field goal on the final play of the first half for a 17-10 lead.

Montana completed 29 of 45 passes for 304 yards, with Rice catching seven for 103 yards.

Patriots 24, Colts 0: In Foxboro, Massachusetts, Ronnie Lippett scored on a 45-yard interception return and Willie Scott blocked a punt and returned it 3 yards for another touchdown, leading to a New England rout of Indianapolis.

New England, 5-5, forced turnovers on four second-half possessions. Indianapolis, 5-5, entered the game with five straight victories against AFC East opponents. Colts running back Eric Dickerson carried 27 times for 117 yards.

NFL ROUNDUP

Vikings 24, Falcons 13: In Minneapolis, second-string quarterback Wade Wilson threw an 8-yard touchdown and Leo Lewis returned a punt 78 yards for a score to lift Minnesota over Atlanta.

Lewis' third-quarter punt return was the first by a Viking since Charlie West went 98 yards against Washington in 1968.

Wilson, who came in after Tommy Kramer injured his throwing hand, completed 7 of 18 passes for 111 yards before he was replaced by rookie Rich Gannon. The Vikings improved to 6-4. The Falcons dropped to 2-8.

Bears 30, Lions 10: In Chicago, Shaun Gayle returned an interception 20 yards for a touchdown and Kevin Butler kicked three field goals to lead Chicago over Detroit.

Neal Anderson, who rushed for 67 yards in 13 carries, added a 16-yard touchdown run and Jim McMahon threw for a score. Chicago, leading the NFC Central Division, improved to 8-2 while dropping the Lions to 2-8.

Packers 23, Chiefs 3: In Kansas City, Missouri, Randy Wright came off the bench and threw two scoring passes to Frankie Neal within 55 seconds to lead Green Bay over Kansas City.

Wright suffered an ankle injury last week against Seattle and did not start, but replaced struggling Don Majkowski to help the Packers improve to 4-5-1. The Chiefs have lost their last nine games.

Steelers 30, Bengals 16: In Cincinnati, Rod Woodson returned an interception 45 yards for a touchdown and quarterback Mark Malone accounted for two touchdowns to help Pittsburgh top Cincinnati.

Pittsburgh, 6-4, enjoyed its first season sweep of the 3-7 Bengals.

Cardinals 31, Eagles 19: In Philadelphia, Neil Lomax threw for 263 yards and three touchdowns to give St. Louis the victory over Philadelphia. Lomax, who completed 18 of 30 passes, hit J.T. Smith with touchdown passes of 6 and 32 yards and found Roy Green for a 20-yard score as the Cardinals scored 24 points in the second quarter to take control of the game. St. Louis is now 4-6 along with Philadelphia.

Bills 17, Jets 14: In East Rutherford, New Jersey, Jamie Mueller plunged 2 yards for a touchdown and Scott Norwood kicked a 42-yard field goal to help Buffalo roll over New York. After a 7-7 halftime tie, the Bills outgained the Jets 121 yards to 19.

SCOREBOARD

Hockey

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
NY Islanders	14	5	1	29	89	63
New Jersey	12	6	2	26	72	59
Washington	9	10	1	19	63	60
Pittsburgh	7	10	4	18	72	80
NY Rangers	6	12	3	15	80	88
Philadelphia	6	13	3	15	63	90
Adams Division						
Montreal	13	5	5	31	84	62
Boston	12	7	2	26	84	75
Buffalo	9	7	4	22	75	82
Quebec	9	9	1	19	75	78
Hartford	6	9	4	16	58	63

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts	GF	GA
Chicago	9	9	2	20	84	85
Toronto	9	9	2	20	88	81
Detroit	8	8	2	18	56	61
Minnesota	7	11	3	17	72	85
St. Louis	7	10	2	16	68	69
Smythe Division						
Edmonton	12	6	2	26	94	69
Calgary	10	8	3	23	97	86
Winnipeg	9	9	1	19	65	68
Vancouver	7	11	2	16	72	81
Los Angeles	5	12	3	13	70	96

FRIDAY'S RESULTS

Chicago	0	1	1—2
New Jersey	1	3	1—5

Sulliman 2 (5), Maley (1), McPhee (3), Broten (6); Volve (16), Noonan (4). Shots on goal: Chicago (on Chevrier) 4-12-9—25; New Jersey (on Mason) 12-10-16—38.

Washington	1	2	0—3
Buffalo	1	1	3—5

Sheppard (7), Turgeon (6), Andreychuk (8), Foligno (6), Ruff (1); Stevens (2), Murphy (3), Pivonka (1). Shots on goal: Washington (on Puppa) 12-13-8—33; Buffalo (on Peeters) 6-10-16—32.

N.Y. Rangers	2	1	1—4
Winnipeg	1	0	2—3

Dahlen (4), Dionne 2 (14), Mullen (7); MacLean (9), Kyte (1), Elliott (4). Shots on goal: N.Y. Rangers (on Berthiaume) 8-7-13—28; Winnipeg (on Scott) 7-7-10—24.

Pittsburgh	1	0	0—1
Edmonton	1	2	1—4

Smith (4), Messier (14), Hunter (3), Kurri (11); Simpson (13). Shots on goal: Pittsburgh (on Fuhr) 14-8-10—32; Edmonton (on Meloche) 14-8-10—32.

SATURDAY'S RESULTS

Washington	1	2	1—4
Hartford	1	1	1—3

Gartner (12), Gartner (13), Ridley (7), Hatcher (2); Babych (2), Turgeon (7). Shots on goal: Washington (on Liut) 7-9-7—23; Hartford (on Malarchuk) 15-8-9—32.

N.Y. Islanders	1	0	5—6
Philadelphia	1	3	0—4

Kerr (9), Wood 2 (10), Makela 2 (8), Bassen (4); Sinisalo (8), Poulin (5), Samuelsson (1), Zezel (4). Shots on goal: New York (on Young) 8-13-14—35; Philadelphia (on Hrudey) 12-12-2—26.

New Jersey	1	0	0—1
Montreal	0	2	0—2

Chelios (7), Smith (12); Verbeek (16). Shots on goal: New Jersey (on Sauve) 6-6-9—21; Montreal (on Hayward) 6-15-9—30.

Los Angeles	5	1	0	0—6
Toronto	1	2	3	0—6

Carson (15), Hardy (4), Nicholls 2 (5), Taylor (8), Carpenter (6); Lanz (1), Fergus (5), Leeman (7), Iafrate (11), Olczyk (9), Fryer (4). Shots on goal: Los Angeles (on Wregget) 16-10-10-1—37; Toronto (on Melanson) 12-13-19-0—44.

Boston	1	3	3—7
Minnesota	1	0	4—5

Courtnall (9), Crowder (4), Wesley (1), Neely 2 (14), Kasper 2 (9); Musil (3), Bellows (14), Ruskowski (1), Payne (1), Ciccarelli (11). Shots on goal: Boston (on Takko, Beaupre) 15-7-10—32; Minnesota (on Lemelin) 8-8-12—28.

Vancouver	1	0	0—1
St. Louis	0	2	2—4

McKegney (9), Raglan (1), Meagher (7), Romaos (6); Adams (15). Shots on goal: Vancouver (on Wamsley) 8-9-11—28; St. Louis (on Brodeur) 7-8-11—26.

Pittsburgh	0	0	4	0—4
Calgary	1	3	0	0—4

Callander (3), Hannan (4), Quinn (6), Lemieux (18); Wilson (8), Hunter 2 (2), Mullen (8). Shots on goal: Pittsburgh (on Dadswell) 12-12-12-1—37; Calgary (on Riggin) 8-14-14-2—38.

Basketball

National Basketball Association Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Boston	8	2	.800	—
Philadelphia	3	4	.429	3½
New Jersey	2	5	.286	4½
New York	2	7	.222	5½
Washington	2	7	.222	5½
Central Division				
Chicago	7	2	.778	—
Atlanta	6	3	.667	1
Milwaukee	6	3	.667	1
Detroit	5	3	.625	1½
Indiana	5	4	.556	2
Cleveland	3	5	.375	3½

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Denver	6	3	.667	—
Houston	6	3	.667	—
Dallas	5	4	.556	1
Utah	5	5	.500	1½
San Antonio	4	5	.444	2
Sacramento	2	6	.250	3½
Pacific Division				
L.A. Lakers	8	0	1.000	—
Seattle	5	4	.556	3½
Phoenix	3	5	.375	5
Portland	3	5	.375	5
L.A. Clippers	3	6	.333	5½
Golden State	1	9	.100	8

FRIDAY'S RESULTS

Golden State	27	20	31	30—108
Detroit	38	30	27	36—131

Thomas 8-14 3-3 19, Johnson 9-16 1-1 19, Dantley 4-9 10-10 18; Higgins 8-15 6-9 22, Mullin 8-13 2-2 18. Rebounds: Golden State 46 (Floyd 7), Detroit 51 (Laimbeer 9). Assists: Golden State 30 (Floyd 13), Detroit 28 (Dantley 8).

Boston	14	27	11	33—85
Philadelphia	32	26	31	27—116

Barkley 7-9 8-12 22, Robinson 8-15 5-6 21; Acres 4-7 6-10 14, Lewis 7-15 0-0 14, Daye 4-14 3-6 11, Parish 4-7 3-4 11, Lohaus 3-9 5-6 11. Rebounds: Boston 44 (Acres 10), Philadelphia 62 (Barkley 14). Assists: Boston 25 (Johnson, Daye 4), Philadelphia 34 (Cheeks 11).

Atlanta	26	20	24	22—92
Chicago	16	22	33	22—88

Jordan 10-22 13-14 33, Oakley 4-8 5-9 13; Wilkins 13-28 10-12 36, Rivers 5-14 5-8 15. Rebounds: Atlanta 59 (Koncak 15), Chicago 55 (Oakley 17). Assists: Atlanta 15 (Rivers 9), Chicago 21 (Paxson, Jordan 7).

San Antonio	39	22	33	48—142
Denver	47	26	38	45—156

English 12-16 6-8 30, Schayes 9-15 8-9 26; Anderson 13-19 5-6 31, Robertson 7-18 6-7 20. Rebounds: San Antonio 62 (Gudmundsson 9), Denver 64 (Schayes 13). Assists: San Antonio 29 (Brickowski 8), Denver 40 (Lever 14).

Indiana	22	12	26	21—81
Utah	23	21	24	34—112

Malone 12-17 6-13 30, Hansen 6-8 2-2 14, Tuprin 6-10 2-3 14; Person 8-18 2-3 19, Miller 7-14 3-3 18. Rebounds: Indiana 48 (Stipanovich 6), Utah 56 (Malone, Iavaroni 8). Assists: Indiana 22 (Person, Wheeler 5), Utah 27 (Stockton 9).

L.A. Clippers	24	23	32	23—112
Phoenix	24	27	23	22—96

Woodson 8-16 5-8 21, Cage 6-9 8-11 20; Humphries 7-11 6-6 20, Edwards 4-12 5-10 13, Davis 6-14 1-2 13. Rebounds: Los Angeles 57 (Cage 15), Phoenix 57 (Adams, Edwards 9). Assists: Los Angeles 23 (Drew 6), Phoenix 18 (Hornacek 5).

Dallas	29	20	25	42—116
L.A. Lakers	30	32	37	20—119

Scott 10-13 1-1 25, Johnson 7-15 6-8 20; Aguirre 14-22 6-9 35, Perkins 7-11 2-2 16. Rebounds: Dallas 38 (Blackman 7), Los Angeles 51 (Green 11). Assists: Dallas 35 (Davis 8), Los Angeles 31 (Johnson 15).

Washington	26	24	22	29—101
Portland	33	30	23	34—120

Drexler 14-25 4-5 32, Kersey 8-16 3-3 19; J. Malone 8-18 6-6 22, M. Malone 4-15 6-6 14. Rebounds: Washington 54 (M. Malone 13), Portland 69 (Kersey, Drexler 13). Assists: Washington 15 (Bogues, F. Johnson 4), Portland 27 (Porter 8).

Milwaukee	29	22	29	17—97
Seattle	28	23	26	23—89

McDaniel 15-24 0-2 30, Ellis 8-20 4-6 21; Sikma 8-12 7-8 23, Cummings 9-21 2-5 20. Rebounds: Milwaukee 44 (Sikma 8), Seattle 72 (McMillan 11). Assists: Milwaukee 23 (Pressey 10), Seattle 23 (McMillan 10).

SATURDAY'S RESULTS

Houston	29	22	31	12—94
Atlanta	31	28	16	27—102

Willis 11-16 5-7 27, Wilkins 9-18 5-6 23; Olajuwon 6-13 5-6 17, Harris 8-12 1-1 17, Leavell 6-10 4-5 17, McCray 5-11 3-3 13. Rebounds: Houston 41 (Sampson 9), Atlanta 55 (Wilkins, Willis 10). Assists: Houston 26 (McCray, Leavell 7), Atlanta 31 (Rivers 9).

Boston	32	22	20	23—107
New Jersey	23	30	26	18—97

Daye 10-15 7-10 27, Johnson 7-12 3-4 17; Williams 9-14 6-9 24, Hopson 9-17 3-3 22. Rebounds: Boston 48 (Parish 12), New Jersey 52 (Williams 20). Assists: Boston 18 (Johnson 5), New Jersey 20 (Washington 5).

Philadelphia	19	27	26	16—88
Cleveland	29	25	24	23—101

Corbin 8-12 7-7 23, Curry 9-18 2-2 21; Cheeks 10-17 0-0 20, Robinson 7-12 3-4 17. Rebounds: Philadelphia 57 (Barkley 12), Cleveland 50 (Daugherty 10). Assists: Philadelphia 15 (Cheeks 5), Cleveland 28 (Price 7).

Golden State	26	23	23	19—91
New York	27	27	22	23—99

Walker 10-17 1-2 21, Ewing 8-13 3-4 19; Mullin 9-19 5-6 23, Floyd 9-16 3-6 21. Rebounds: Golden State 54 (Frank, Feitl 7), New York 53 (Ewing 8). Assists: Golden State 25 (Floyd 10), New York 32 (Jackson 8).

Utah	33	31	31	24—119
San Antonio	33	33	34	30—130

Berry 8-13 6-8 22, Robertson 6-16 8-10 20; Griffith 14-25 1-3 32, Iavaroni 5-8 3-4 13. Rebounds: Utah 54 (Bailey, Turpin 7), San Antonio 57 (Greenwood, Brickowski 8). Assists: Utah 26 (Green 9), San Antonio 32 (Dawkins 12).

Detroit	26	34	27	35	22—144
Chicago	34	22	29	37	10—132

Dantley 13-17 19-22 45, Thomas 11-21 4-6 27; Jordan 17-38 15-17 49, Oakley 6-9 9-10 21. Rebounds: Detroit 61 (Rodman 8), Chicago 47 (Oakley 12). Assists: Detroit 27 (Thomas 10), Chicago 34 (Jordan 8).

Washington	26	24	25	28—103
Seattle	28	27	30	39—124

McDaniel 13-18 2-4 28, McKey 6-9 5-6 18; King 9-14 8-11 26, M. Malone 7-16 8-13 22. Rebounds: Washington 58 (M. Malone 9), Seattle 58 (Lister, McKey 8). Assists: Washington 22 (King, M. Malone, Bogues 4), Seattle 38 (Young 7).

Dallas	34	17	28	24—103
Sacramento	23	22	30	21—96

Harper 10-19 7-8 27, Aguirre 11-22 4-5 26; K. Smith 10-17 4-4 25, Thorpe 8-16 8-9 24. Rebounds: Dallas 58 (Donaldson 13), Sacramento 50 (Thorpe 12). Assists: Dallas 10 (Harper 4), Sacramento 23 (K. Smith 11).

Denver	22	17	32	26—97
L.A. Clippers	26	25	23	17—91

Lever 6-19 3-3 15, Schayes 3-7 8-10 14; Woodson 9-17 5-5 23, Benjamin 5-12 8-12 18. Rebounds: Denver 59 (Lever 12), Los Angeles 47 (Benjamin 13). Assists: Denver 31 (Lever 11), Los Angeles 23 (Drew 9).

College Results

EAST

North Carolina 96, Syracuse 93, OT

TOURNAMENTS

Big Apple NIT

First Round

Florida 82, Jacksonville 52
Georgia Tech 114, Alcorn St. 71
Iowa St. 100, Texas 83
Middle Tenn. St. 88, Virginia Tech 85
New Mexico 88, Weber St. 72
Purdue 102, Ark.-Little Rock 88
Seton Hall 85, George Mason 63
UCLA 119, Oral Roberts 79

Rochester Tipoff Tournament

First Round

Oberlin 89, Fredonia St. 81
Rochester 83, Fitchburg St. 51
Championship: Rochester 82, Oberlin 66
Third place: Fredonia St. 69, Fitchburg 59

EXHIBITIONS

Arizona St. 102, Bulgarian Nationals 89
Francana (Brazil) 90, Springfield 81
Manhattan 89, Hoasba (Sweden) 69
Wichita State 78, Czech Nationals 75
Italian Nationals 84, Arkansas 70
Soviet Nationals 98, Vanderbilt 78
Zadar (Yugoslavia) 80, Ball St. 68

Football

U.S. College Results

EAST

Brown 19, Columbia 16
Delaware 17, Boston U. 10
Harvard 14, Yale 10
Lehigh 17, Lafayette 10
Massachusetts 27, Northeastern 7
Pennsylvania 49, Dartmouth 7
Penn St. 21, Notre Dame 20
Pittsburgh 28, Kent St. 5
Princeton 23, Cornell 6
Rutgers 17, Temple 14
Syracuse 32, West Virginia 31

SOUTH

Duke 25, North Carolina 10
Louisiana State 41, Tulane 36
Mississippi St. 30, Mississippi 20
South Carolina 20, Clemson 7
Tennessee 24, Kentucky 22
Vanderbilt 34, Maryland 24
Virginia 34, N. Carolina St. 31
Virginia Tech 21, Cincinnati 20
Wake Forest 33, Georgia Tech 6

MIDWEST

Bowling Green 18, Cent. Michigan 17
Colorado 41, Kansas St. 0
Indiana 35, Purdue 14
Indiana St. 24, Ball St. 23
Iowa 34, Minnesota 20
Michigan St. 30, Wisconsin 9
Missouri 19, Kansas 7
Northwestern 28, Illinois 10
Ohio St. 23, Michigan 20
Oklahoma 17, Nebraska 7

SOUTHWEST

Oklahoma St. 48, Iowa St. 27
Texas 34, Baylor 16
Texas A&M 42, Texas Christian 24
Texas Tech 10, Houston 10

FAR WEST

Brigham Young 21, Utah 18
Oregon 44, Oregon St. 0
Southern Cal 17, UCLA 13
Stanford 31, California 7
Washington 34, Washington St. 19

College Bowl Games

DEC. 12

California Bowl: Eastern Michigan, 9-2-0, vs. San Jose State, 10-1-0

DEC. 19

Independence Bowl: Tulane, 6-4, vs. Texas or Texas A&M or Baylor or Texas Tech or Washington

DEC. 22

All-American Bowl: Virginia, 7-4, vs. Brigham Young, 7-3

DEC. 25

Sun Bowl: Oklahoma State, 9-2-0, vs. Minnesota, 6-5-0

Aloha Bowl: Florida, 5-4-0, vs. UCLA, 9-2-0

Blue-Gray All-Star Classic

DEC. 29

Liberty Bowl: Arkansas, 7-3, vs. Georgia, 7-3-0

DEC. 30

Freedom Bowl: Air Force, 8-3-0, vs. Arizona State, 6-4-0

Holiday Bowl: Wyoming, 9-2-0, vs. Iowa, 8-3-0

DEC. 31

Gator Bowl: South Carolina, 7-2-0, vs. Alabama or Auburn

Bluebonnet Bowl: Pittsburgh, 7-3-0, vs. Texas or Texas A&M or Baylor or Texas Tech

JAN. 1

Florida Citrus Bowl: Clemson, 9-1-0, vs. Penn State, 8-3-0

Fiesta Bowl: Florida State, 9-1-0, vs. Nebraska, 9-1-0

Cotton Bowl: Notre Dame, 8-2-0, vs. Southwest Conference Champion

Rose Bowl: Michigan St., 7-2-1, vs. USC

Orange Bowl: Oklahoma, 11-0-0, vs. Miami (Fla.), 8-0-0

Sugar Bowl: Syracuse, 10-0-0, vs. Southeastern Conference Champion

JAN. 2

Peach Bowl: Tennessee, 8-2-1, vs. Indiana, 8-3-0

Hall of Fame Bowl: Michigan, 7-3, vs. Alabama, Auburn or Louisiana State (one of the teams that does not win Southeastern Conference)

JAN. 9

East-West Shrine Classic

Hula Bowl

JAN. 10

Japan Bowl

JAN. 23

Senior Bowl

European Soccer

SPANISH FIRST DIVISION

Español 1, Las Palmas 2
Betis Seville 1, Barcelona 2
Celta Vigo 2, Murcia 0
Logrones 1, Real Sociedad 1
Mallorca 0, Valladolid 2
Sabadell 0, Real Madrid 2
Atletico Madrid 1, Gijon 2
Athletic Bilbao 2, Real Zaragoza 2
Valencia 1, Osasuna 0
Cadiz 1, Sevilla 0

Points: Real Madrid 19; Atletico Madrid 16; Celta 14; Real Sociedad, Cadiz, Athletic Bilbao, Valencia 13; Osasuna, Valladolid 12; Zaragoza, Barcelona 11; Betis, Gijon, Sevilla 10; Español 9; Mallorca 8; Murcia, Las Palmas, Logrones 7; Sabadell 5.

ITALIAN FIRST DIVISION

Ascoli 2, Pisa 2
Como 3, Empoli 2
Fiorentina 1, Sampdoria 1
Juventus 2, Cesena 1
AC Milan 3, Avellino 0
Napoli 3, Torino 1
Roma 3, Inter Milan 2
Verona 2, Pescara 0

Points: Napoli 16; AC Milan, Sampdoria 13; Juventus, Roma 12; Fiorentina, Verona 10; Inter Milan 9; Ascoli, Torino 8; Como, Pescara 7; Pisa 6; Cesena 5; Avellino 3; Empoli 0.

WEST GERMAN FIRST DIVISION

Homburg 2, Bayer Uerdingen 2
Borussia Dortmund 2, Hamburg 3
Cologne 2, Hanover 0
Eintracht Frankfurt 4, Karlsruhe 0
Bor. Mönchengladbach 1, Kaiserslautern 0
Nuremberg 2, Bochum 1
Waldhof Mannheim 2, Stuttgart 1
Bayern Munich 3, Bayer Leverkusen 2
Werder Bremen vs Schalke, postponed

Points: Werder Bremen, Bayern Munich, Cologne 26; Borussia Mönchengladbach 22; Stuttgart, Nuremberg 20; Eintracht Frankfurt, Hamburg 17; Karlsruhe 16; Bayer Leverkusen, Waldhof Mannheim 15; Bayer Uerdingen, Hanover 13; Homburg 12; Bochum, Borussia Dortmund, Kaiserslautern, Schalke 11.

FRENCH FIRST DIVISION

Monaco 3, Lens 0
Laval 1, Toulouse 0
Paris-Saint Germain 2, Montpellier 1
Cannes 1, Marseille 0
Bordeaux 0, Auxerre 0
Niort 1, Le Havre 2
Toulon 1, Metz 0
Lille 1, Nice 0
Brest 0, Nantes 0
St. Etienne 0, Matra Racing 2

Points: Monaco 30; Bordeaux 26; Matra Racing 25; Nantes 23; Cannes, St. Etienne 22; Marseille, Auxerre 21; Montpellier, Toulon, Metz 20; Niort 19; Laval, Lille 18; Paris-St. Germain, Nice, Toulouse, Lens 17; Le Havre 13; Brest 12.

ENGLISH FIRST DIVISION

Arsenal 0, Southampton 1
Charlton 2, Coventry 2
Liverpool 0, Norwich 0
Luton 2, Tottenham 0
Oxford 1, Watford 1
Portsmouth 0, Everton 1
Queens Park 1, Newcastle 1
West Ham 3, Nottingham Forest 2
Wimbledon 2, Manchester United 1
Derby County 2, Chelsea 0

Points: Arsenal 35; Liverpool 34; Queens Park 32; Nottingham Forest 30; Everton 28; Manchester United 26; Chelsea 25; Wimbledon, Southampton 23; Tottenham 22; Luton, Oxford 21; Derby 20; West Ham, Coventry 18; Newcastle, Sheffield Wednesday 15; Portsmouth 14; Watford 13; Norwich 12; Charlton 10.

Tennis

Women's Tournament

TOUR CHAMPIONSHIPS

SINGLES

Semifinals

Steffi Graf (1), West Germany, def. Sylvia Hanika, 6-1, 6-4.
Sabatini def. Maleeva, 6-3, 4-6, 6-3.

Final

Steffi Graf (1), West Germany, def. Gabriela Sabatini (6), Argentina, 4-6, 6-4, 6-0, 6-4.

DOUBLES

Semifinals

Claudia Kohde-Kilsch, West Germany, and Helena Sukova, Czechoslovakia (2), def. Elise Burgin, U.S. and Ros Fairbank, South Africa, 6-2, 6-3.

Final

Martina Navratilova and Pam Shriver, U.S. (1), def. Kohde-Kilsch and Sukova, 6-1, 6-1.

Men's Tournament

(At Johannesburg)

SINGLES

Quarterfinals

Andres Gomez (2), Ecuador, def. Gary Muller, South Africa, 6-1, 6-3.
Amos Mansdorf (5), Israel, def. Francesco Cancellotti, Italy, 0-6, 6-3, 6-3.
Pat Cash (1), Australia, def. Kevin Curren, U.S., 2-6, 6-3, 6-4.
Brad Gilbert (3), U.S., def. Jacob Hlasek (6), Switzerland, (default).

Semifinals

Gilbert def. Gomez, 6-4, 6-1.
Cash def. Mansdorf, 6-3, 7-6.

Final

Cash def. Gilbert, 7-6 (9-7), 4-6, 2-6, 6-0, 6-1.

DOUBLES

Final

Kevin Curren and David Pate, U.S., def. Erik Korita, West Germany, and Brad Pearce, U.S., 6-4, 6-4.

Golf

Top individual finishers and team standings in the 33d World Cup, which ended Saturday at the 6,761-yard, par-72 Kapalua Bay course in Hawaii:

INDIVIDUAL

Woosnam, Wales, $50,000	67-70-65-72—274
Lyle, Scotland	66-69-71-71—279
Suzuki, Japan	69-70-72-72—283
Saavedra, Argentina	70-75-67-74—286
Crenshaw, U.S.	70-73-69-74—286
Rafferty, Ireland	80-71-69-77—287
Hsieh, Taipei	75-70-74-69—288
Sellberg, Sweden	71-73-70-74—288
Clark, England	68-77-73-71—289
Davis, Australia	73-71-72-73—289

TEAMS

x-Wales, $100,000, 574
Scotland, $55,000, 574
United States, $40,000, 576
Australia, $26,500, 580
Ireland, $26,500, 580
Argentina, $15,000, 582
Sweden, $10,000, 583
Taipei, $6,500, 584
Canada, $6,500, 584
England, $4,000, 588
(x-won sudden death playoff)

Transition

BASEBALL

BOSTON—Signed Walt Hriniak, batting coach, to a two-year contract; named Al Bumbry first base coach.

SEATTLE—Purchased the contracts of Mike Schooler, Bill Swift and Terry Taylor, pitcher, and Bill McGuire, catcher. Requested waivers on Jerry Narron, catcher, and Jim Weaver, outfielder, for the purpose of giving them their unconditional releases.

National League

MONTREAL—Named Tommy Harper minor league baserunning instructor.

NEW YORK—Named Larry Milbourne minor league instructor.

SAN FRANCISCO—Signed Dave Dravecky, pitcher, to a two-year contract.

Graf Beats Sabatini

United Press International

NEW YORK — Steffi Graf of West Germany polished off a remarkable year of power tennis, sweeping 10 games in a row Sunday in a four-set victory over Argentina's Gabriela Sabatini in the final of the Virginia Slims Championships.

By beating her doubles partner for the 11th time in as many meetings (4-6, 6-4, 6-0, 6-4), the 18-year-old Graf completed 1987 with a match record of 75-2 and became only the second woman to surpass $1 million in earnings during a year.

Graf's only losses came in the two biggest championships of the year when she fell to Martina Navratilova in the finals of Wimbledon and the U.S. Open.

Sabatini outplayed her rival for the first two sets, making exceptional shots. But the 17-year-old, playing a five-set match for the first time, appeared to tire after yielding her serve to lose the second set.

She also damaged her chances with 17 double-faults, four coming on break points.

From the 10th game of the second set, Graf put together her string of 10 games that carried her to a 3-0 lead in the fourth set. During that streak, Graf yielded only 14 points.

Although Sabatini then seemed hopelessly out of the picture, she found the strength to win three games in a row with the loss of four points to draw even at 3-3.

Wales Wins World Cup Golf; Woosnam Dominant Player

The Associated Press

KAPALUA, Hawaii — Ian Woosnam and David Llewellyn outlasted their Scottish opponents in a two-hole sudden-death playoff Saturday and gave Wales its first triumph in the 33d World Cup of golf.

Woosnam, by five strokes the outstanding individual in the 32-nation competition, and Llewellyn each made two extra-hole pars and gained the trophy when Sam Torrance missed a par putt on the second hole.

Wales and Scotland tied at the end of the regulation 72 holes at 574, two under par, after a final round that saw players wading through pouring rain and winds gusting to 40 mph (64.3 kph).

The first playoff in the event's history was set up when Torrance, who had pulled his second shot out of bounds, sank a 6-foot (1.82-meter) putt for bogey on the 72d hole. All four players made par-5 on the first extra hole, where Sandy Lyle of Scotland missed from about 8 feet on a putt that would have won the tournament.

On the next hole, No. 18 at the Kapalua Bay course, Torrance, Lyle and Woosnam all had birdie putts, but all missed, with Torrance running his first putt about five feet past the cup. Llewellyn, who had bunkered his third shot, sank a 6-foot par putt after Lyle and Woosnam completed their pars. That left it up to Torrance, who missed his return putt.

Woosnam, winner of five European titles this year, collected $50,000 as the individual winner and another $100,000 as a member of the winning team.

AP

Ian Woosnam

The United States of Ben Crenshaw and Payne Stewart finished third overall.

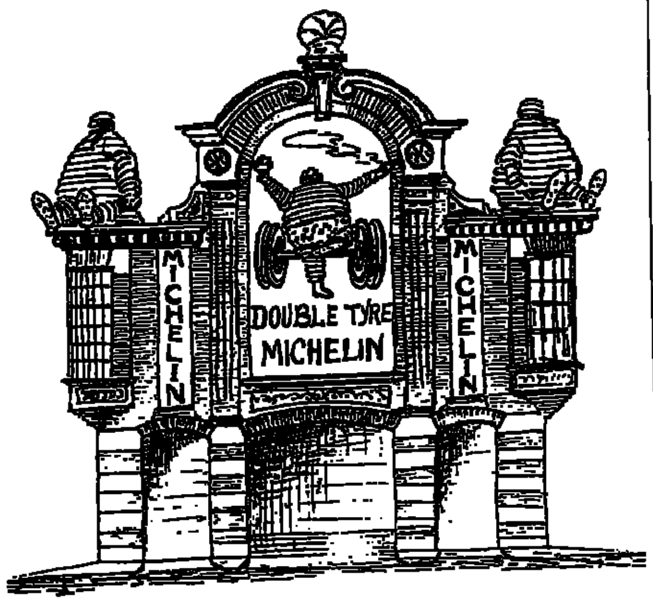
■ Stadler Wins in Japan

Craig Stadler shot a par 72 Sunday to win the Dunlop Phoenix tournament by one stroke over fellow American Scott Hoch, The Associated Press reported from Miyazaki, Japan. Hoch closed with a 69 and a 278 total.

Stadler started the final round with a one-shot margin over Tadami Ueno, who led the first two rounds, and Japanese compatriot Masashi Ozaki.

A Curiosity, From Michelin to Conran

International Herald Tribune



First sketch for the original Michelin House, and Priscilla Carluccio, guiding spirit of the Conran Shop to open this week in the revamped building.

LONDON — In 1909 the Michelin brothers, Edouard and André, who had been doing pretty well in England and planned to do even better, commissioned the building of Michelin House at 81 Fulham Road, a site chosen because it was handy to prospective customers in Chelsea and because it was on one of the main exits from London by car.

The building was designed by François Espinasse, who worked in the buildings division of the

MARY BLUME

Michelin tire factory in Clermont-Ferrand and designed the company's Paris office. Although he was not a qualified architect and his death in 1925 went unnoticed not only in the French architectural press but even in the local Clermont-Ferrand newspaper, his Michelin House is a wonder, built from a new material, reinforced concrete, in only five months.

Michelin House, which combined offices, salesrooms, garage and tire storage space, was simply and inexplicably terrific, with its colored tile front, its huge stained glass windows of Bibendum, the Michelin man, in sportive poses, and a curiously knobby shape that was eccentric even by British standards.

Its style has been described as Art Nouveau, proto-Art Deco, Machine Age, Secessionist Functionalism, or a combination of any of the above, with traces of the English Arts and Crafts movement in the tiled facade. "Tremendous personality," says Paul Hamlyn, the publisher who acquired the Michelin House in 1985 with Terence Conran. "Ebullient," says Conran, adding, "When I started Habitat in 1964 in a dull '60s building alongside Michelin, I used to look avariciously across at it."

Today, Sir Terence Conran is rich beyond the dreams of avarice as head of the £1.5 billion Storehouse PLC retailing group, which includes not only the Habitat and Conran shops but also other home-furnishing outlets, publishing, clothing, food and an interest in 27 FNAC stores in France.

At the end of this week a Conran shop will open in the overhauled Michelin House. The building and its restyling are the subject of an exhibition at the Royal Institute of British Architects. The new Conran's will have 22,000 square feet of display space against 8,000 square feet in the old Conran shop, and over 3,000 new lines will be added to the product range.

In addition to a shopper's paradise the new Michelin House will be the center of London's most effulgent area, a part of town excited real estate agents have named Brompton Cross. The crossroads is where Fulham Road, Brompton Road, Pelham Street, Sloane Avenue and Walton Street come together.

Until recently Brompton Cross was a frowsy and shabby genteel backwater, light years away from nearby King's Road, the only spark of trendiness coming from Anouska Hempel's Blakes Hotel, several blocks away. Today, in addition to restaurants and smart accessory shops, Brompton Cross has become the center of sharp new boutiques — Joseph, Katharine Hamnett, Agnès B and Issey Miyake. Anouska Hempel, now Lady Weinberg, has opened a by-appointment-only couture shop in the shadow of Michelin House where she also sells "interesting furniture and pictures and moss trees and whatever I'm thinking about that day." Real estate prices, she adds, have gone through the roof.

"There's a huge movement going on in the neighborhood, it's going to be very classy, I think, but it's important that the mix is right," says Priscilla Carluccio, a director of the Conran shop, director of styling of the Conran Design Group and guiding spirit behind the new store.

A great deal of thought has gone into making the new store right not only for a newly rich neighborhood but also for the area's longtime residents. The new store will have an oyster bar and an elegant restaurant called Bibendum but its food department will also incorporate a much-loved and recently defunct neighborhood tea and coffee shop, Whittard, and there will be a travel agency in homage to Michelin and as an amenity for the locals.

"We want to be of service to local people as well as to our own customers," says Mrs. Carluccio, who is married to a cookbook writer and is Terence Conran's sister. "We've said the travel agent must provide ordinary ticket and package tours as well as the smart holiday."

Along with the cookery writer Elizabeth David, Terence Conran has been one of the crucial influences on the way postwar Britain lives. Conran transformed the British interior so that chicken bricks and enameled workmen's mugs and pine kitchens became part of the national landscape, and dowdy British homes, cheaply and suddenly, became fresh and easy and bright. When the first Habitat opened 23 years ago, The Times said, customers "thought they had gone to heaven."

The new shop is dealing with a more sophisticated customer and with a changed lifestyle. If in the '60s it was novel to bake your own bread in a country-style kitchen, in the '80s people pop food into microwave ovens and care more about how the table setting looks than what's on the plate.

"I think there is a mood here of people wanting to arrange their food in a different way — square plates with oblong plates with little plates, so you can play with it really," Mrs. Carluccio says. She also predicts the end of the 1970s color, matte black.

"In fashion a lot of brown is coming in and I think that will happen in furnishings. People are most interested in textures, good patinas, color used carefully."

She has done a great deal of buying in the Orient, not only for the Conran shop's new department of Far Eastern antiques but also for fabrics and furniture.

"I brought some Chinese domestic furniture and porcelain and some Indian temple pieces and marvelous Japanese baskets, copies of old Japanese baskets that have actually been made in China."

There will be a section devoted to the bedroom with fabrics, linens, cushions and blinds grouped together and, like other specialized departments, it will have its own packaging with a sachet of lavender slipped into bed linens which come in smart mattress-ticking shopping bags.

Wrapping for children's presents includes a package of forget-me-nots and ribbon printed with the alphabet. The children's department, a new departure for Conran's, includes not only toys but gifts for new babies and post-modern style furniture made by a English toy designer.

Packaging for wedding gifts — usually done while the customer is not waiting, so there is more time — will be Japanese in style with handfuls of gold confetti that will sprinkle out when the package is opened.

The product range, from reproduction Shaker chairs made in oiled cherry by a cabinetmaker in Dorset to specially designed writing paper, is the result of two years of planning. Terence Conran approved every item.

"I honestly do believe that there will be no other furnishing store like this," Priscilla Carluccio says. "It's not a department store, it's the departments we want to have."

The result will be dazzling but discreet: "We want the shop to look almost as if it's always been there, we don't want it to seem to be the latest thing on the High Street. That's not what the shop is about in its essence.

"I couldn't buy anything for the shop that I don't like," she says. "I find it so arrogant to buy something that you find revolting because you believe there's a market for it. You've got to have personal convictions. You get the customers you deserve."

LANGUAGE

Defining Political Campaign Issues

By William Safire

WASHINGTON — On "Saturday Night Live," the comedian Al Franken asked Bruce E. Babbitt, a Democratic presidential candidate, "Governor, what about the character issue?"

Babbitt: "What about it?"

Franken: "I'm referring to your long history of going into supermarket express lanes with more than 10 items."

Babbitt: "Who told you that — the Dukakis campaign?"

This skit was not exactly a thigh-slapper, but it did have a political barb: The campaign of Governor Michael S. Dukakis was the source of an "attack video," showing that Senator Joseph R. Biden Jr. had stolen the words — indeed, the entire family background — of a British labor leader, which led to the demise of the Biden candidacy on the rocks of the *character issue.*

We will be hearing a great deal about this issue in the coming year. In the campaign of 1900, William Jennings Bryan called imperialism the *burning issue* of the campaign, giving more zip to the customary labels of *leading issue* and *paramount issue.* These are the formal, intellectually approved subjects for debate, a cut above the plebeian bread-and-butter issue and in contrast to the gut issue, which often deals with race or class resentments not to be mentioned in high-toned debate.

Gut issue, probably long bruited about in politics on both sides of the Atlantic, may have been first recorded in The Economist of London as recently as 1964: "For Harold Wilson it was a carefully planned campaign . . . the neo-Kennedyism combined with a concentration on gut issues." A generation before, the word *gut* — from the Old English for "bowel" — was a part of college slang as *gut course,* meaning "easily passed course." That referred to the belly's softness; in general slang, *gutsy* means "courageous" and *gut,* used as an adjective, in politics means "visceral," appealing to emotion rather than reason.

A *switcher issue* is known to pollsters as a subject of conflict, such as abortion or gun control, that would cause a voter usually aligned with one party to switch to the opposition on that matter alone. The *social issue,* coined in 1970 by the psephologists Ben J. Wattenberg and Richard M. Scammon, denoted the concern with drug use, alienation, unrest and changing morality that seemed to be replacing the economic, or bread-and-butter, controversies.

The problem or shortcoming we call the *character issue* is as old as campaigning, from the iciness of the Romans' Coriolanus to the acknowledgment by Grover Cleveland of paternity of an illegitimate child ("Ma, Ma, where's Pa?" was the slogan used to embarrass him), but the phrase seems to have sprung up in our time.

In October 1979, Newsweek attributed the phrase to an unnamed politician in a piece speculating on a bid by Senator Edward M. Kennedy to wrest the Democratic nomination away from President Jimmy Carter: "If Kennedy is the nominee, the 'character' issue will be 'fair game for the Republicans in the fall,' a Democratic strategist agrees." Five months later, The Associated Press observed: "In addition, campaign aides said, Kennedy was not hurt as badly in Massachusetts as in other states by the so-called 'character' issue. For weeks, polls have shown and aides have conceded that Kennedy has been hurt by voter questions about Chappaquiddick and concerns about his marriage."

In the 1984 campaign, a columnist writing about Senator Gary Hart struck first. Mary McGrory wrote that Vice President Walter Mondale was "not, however, ready for Hart and his unexpected, lethal challenge on the character issue. Hart, whose campaign is vaguely 'new' and 'futuristic,' suggests that Mondale is old at heart." Senator John H. Glenn Jr. then raised what he called the character issue by stressing personal accomplishments rather than position papers. But it was left to Walter Mondale, with his "Where's the beef?" campaign, to imply that Hart was a hollow, or plastic, man.

The next man to be brought down by the *CI* was Joseph Biden in 1987. When plagiarism charges began to fly, Phil Roeder, an Iowa Democratic spokesman, was quoted by the AP as sighing, "There's the potential this could raise some of the character issues."

After the furor forced Biden to abandon his candidacy, a minor flap was caused by the revelation that the Dukakis camp had provided the media with the information that did him in — standard political procedure in the past, but now considered by some anti-partisan types as some sort of indelicacy. "This admittedly was a dumb thing for a staff person to do," Roeder said, but "this is not an issue that strikes to the character issue like the Hart incident and the Biden incident both did."

WHAT is *character,* anyway, that makes it an issue that can cripple candidates? This is one of the most powerful and mysterious words in the language; no satisfying synonym exists for it.

Etymologically, it is a 14th-century English word from the Greek *kharakter,* which means "engraving tool" and, by extension, the mark made by that tool; the word *character,* for example, contains nine characters, or letters. By further extension, the word came to mean the mark a person makes, the features and qualities that distinguish that person from others.

But character has another sense, beyond "distinguishing trait." It is the mark of an individual with a brave outlook and noble heart; the person with character has the judgment to know what is right and the courage to do what is good. The *character issue* takes aim at the degree to which a candidate falls short of that state, as candidates and most human beings do.

"Politics ruins the character," said Otto von Bismarck in 1881, but Woodrow Wilson less cynically defined it in 1914 as a quality that cannot be deliberately created: "If you will think about what you ought to do for other people, your character will take care of itself. Character is a byproduct."

William James, the philosopher, explained it to his wife in a letter in 1878: "I have often thought that the best way to define a man's character would be to seek out the particular mental or moral attitude in which, when it came upon him, he felt himself most deeply and intensely active and alive. At such moments there is a voice inside which speaks and says: 'This is the real me!' "

New York Times Service

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